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THE WALL STREET JOURNAL.

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China lashes out at U.S.

BEIJING—Premier Wen Jiabao aimed sharp words at Washington on Sunday, ceding little ground on China's currency policy and suggesting that U.S. efforts to boost its exports by weakening the dollar amounted to "a kind of trade protectionism."

By Andrew Batson, Ian Johnson And Andrew Browne

In his once-yearly news conference, Mr. Wen blamed U.S. weapons sales to Taiwan and President Barack Obama's meeting with Tibet's spiritual leader, the Dalai Lama, for causing a recent deterioration in what he called China's most important foreign relationship.

"These moves have violated China's territorial integrity," Mr. Wen said. "The responsibility does not lie with the Chinese side but with the United States." Mr. Wen said a good China-U.S. relationship "makes both sides winners while a confrontational one makes both sides losers."

Mr. Wen went into detail about his personal role at the Copenhagen climate talks late last year, showing flashes of emotion as he sought to correct a widespread belief that he snubbed Mr. Obama by sending a lower-ranking official to a meeting. "My conscience is clear despite the slander of others," he said, quoting an ancient Chinese proverb. Instead, he argued, it was China that felt insulted.

Mr. Wen's forthright comments reflect a new dynamic in what is arguably the most important bilateral relationship in the world. As the only major economy still growing strongly, and the largest creditor to the U.S., China is behaving with new assertiveness. Beijing has emerged from the global recession with a fresh confidence about its state-led economy, which has delivered stimulus projects—everything from high-speed railways to highways and bridges—with remarkable efficiency. At the same time,

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Thaksin supporters flood into Bangkok

Associated Press

Tens of thousands of protesters poured into Bangkok over the weekend, setting up what organizers say will be several days of protests to force Thailand's army-backed government to call fresh elections and demonstrating the continuing pull of ousted former Prime Minister Thaksin Shinawatra. **Page 4**

Google is set to abandon its business in China

By Loretta Chao And Ben Worthen

Google Inc. appears increasingly likely to shutter its Chinese-language search engine, a step that would remove one of the last major foreign players from the world's most populous and fastest-growing Internet market.

A person familiar with situation said on Saturday that Google is likely to take action within weeks.

Google and Chinese authorities have been in talks about the extent to which the U.S. Internet giant will be able to operate a business in China if it follows through on its pledge two months ago to stop following government censorship requirements on its Chinese site, Google.cn. Those talks increasingly appear deadlocked, and Google's hopes for being able to continue operating Google.cn unfiltered—which were always thin—have all but disappeared.

On Friday, Minister of Industry and Information Technology Li Yizhong, asked by a reporter about Google's plan to stop filtering results, said

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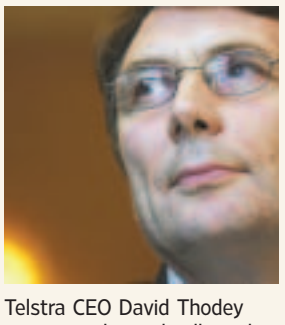
Managing in Asia



Telstra CEO David Thodey appears calm and collected, but he is navigating in an industry that is in the midst of upheaval. **Page 32**

Energy deal

Cnooc will pay $3.1 billion to form a joint venture with Bridas Energy of Argentina, a move that highlights China's thirst for energy. **Page 17**

Yen's persistent strength frustrates Japan leaders

By Alex Frangos And Andrew Monahan

Japan's stubbornly strong currency, something of an economic puzzle, is becoming a growing source of frustration for the country's new administration.

Prime Minister Yukio Hatoyama tried to weaken the yen Friday through the unusual step of talking down the Japanese economy in front of parliament. He said the yen doesn't reflect "that Japan's economic and industrial conditions aren't strong enough." Mr. Hatoyama called for international action to push the yen lower, saying there is a need to "politically cooperate on the world stage."

A weaker yen could make Japanese exports more competitive, aiding the world's second-largest economy, which the International Monetary Fund expects to grow just 1.7% this year.

The effect of Mr. Hatoyama's speech: The dollar eased slightly against the yen Friday, ending New York trading at 90.47 yen compared with 90.55 yen late Thursday.

The U.S. currency is down 2.8% against the yen this year. The yen is 18% stronger than it was in August 2008 compared to an inflation-adjusted basket of currencies weighted toward Japan's largest trade partners, according to the Bank of Japan.

A dysfunctional Japanese economy, super low interest rates, a ballooning deficit and plenty of government jawboning have done little to weaken the currency.

The yen's strength is "perplexing," says Pierre Gave, head of research at GaveKal, a Hong Kong-based analysis and investment firm. "If there's one thing everyone agreed upon, it was that 2010 would be the year of yen weakness."

Many investors are betting on a yen slide, which could still happen. Data issued by the Tokyo Financial Exchange shows market participants have been aggressively build-

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European Pressphoto Agency

Manny Pacquiao of the Philippines celebrates his victory over Joshua Clottey of Ghana after their WBO welterweight title boxing match on Saturday night at the Dallas Cowboys Stadium in Texas. The fight brought in the biggest crowd in the U.S. for a fight in 17 years—50,994 fans—and it paid off handsomely for Mr. Pacquiao, who earned at least $12 million. **WSJ.com/Sports**

■ **Nigeria will review** the potential $2.5 billion sale of the country's telecoms giant, Nitel, following last month's troubled auction in which one of the top bidders, China Unicom, initially denied taking part. **19**

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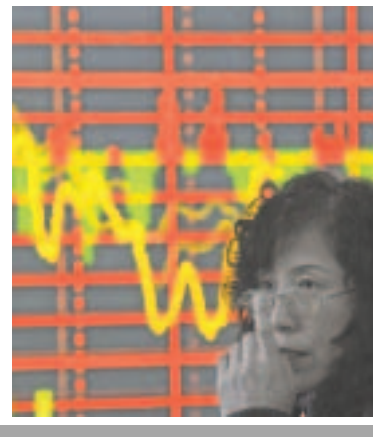

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WORLD NEWS

Dodd bill toughens stance on banks

By Damian Paletta

WASHINGTON—Senate Banking Committee Chairman Christopher Dodd (D., Conn.) is finalizing a bill to rework U.S. financial market rules that is expected to be tougher against banks than previously expected, people familiar with the matter said.

Though details of the bill could still change before it is introduced Monday, some details emerged Saturday as aides and White House officials conferred.

The biggest winner in the bill appears to be the Federal Reserve, which would see its powers expand considerably. Large financial companies, particularly big banks, could emerge as the biggest losers. They would face higher scrutiny from bank supervisors and potentially face sanctions for violating consumer-protection rules by an autonomous new division within the Fed.

Big banks could also be forced to comply with certain state consumer-protection rules, a move that would be considered a huge win for consumer advocates and a blow to a financial industry that had lobbied against such a move.

The bill's ultimate prospects are still cloudy. No Republicans are expected to initially support it, though Democrats hope they can eventually win support.

Mr. Dodd has spent months negotiating the bill with multiple Republicans, first Sen. Richard Shelby of Alabama and later Sen. Bob Corker of Tennessee. Mr. Dodd eventually broke off negotiations with both lawmakers in succession, and said Thursday he would forge ahead without Republican backing.

A central plank in the bill would give the government the power to seize and dismantle a large, failing financial company. This provision is intended to prevent the government from having to launch another ad-hoc taxpayer-funded bailout, like the one that bailed out **American International Group** Inc. in late 2008. To pay for this power, the government is expected to require the largest financial companies to pay a combined $50 billion into a fund that one day could be used to arrest a failing company.

A key change in Mr. Dodd's bill from just days ago is a provision giving the Fed, which appeared to be on political life support a few months ago, the power to supervise any bank or financial company with more than $50 billion in assets.

Treasury Department officials lobbied aggressively for this change. Treasury Secretary Timothy Geithner and Fed Chairman Ben Bernanke have argued the Fed should play a central role in bank supervision.

Even though this would appear to shrink the Fed's authority—the central bank examines more than 5,000 bank-holding companies of all sizes—the provision would still allow the Fed to have a primary presence in most of the U.S.'s largest financial institutions.

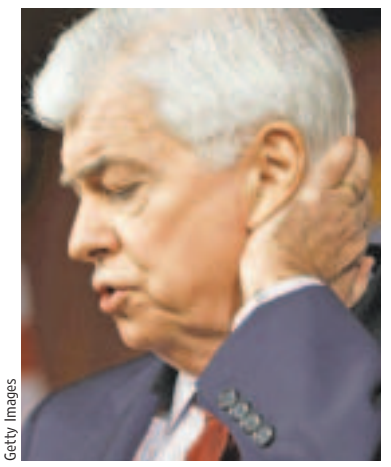
Senate negotiators had initially pushed to give the Fed no role in bank supervision, and only a week ago they had thought the Fed would only be able to examine roughly two dozen banks, those that held more than $100 billion in assets.

By lowering the threshold to $50 billion, the Fed would have primary oversight of close to 40 U.S. banks. The Fed might also oversee large, complex insurance companies or other financial firms as part of the new arrangement.

The bill would also create a systemic risk council, with an independent chairman and several other federal regulators who would be charged with monitoring emerging risks to the economy.

This council would have two significant powers. First, it would be able to force a financial company that isn't a bank, such as an insurance firm or a giant hedge fund, to be overseen by the Fed. It could also vote to strongly pressure another federal regulator to adopt certain regulatory practices, such as tougher regulations against exotic financial products.

A centerpiece of the bill would place a new consumer-protection division within the Fed, with a director appointed by the president. The agency would have broad rule-writing power to create policies governing all financial companies, not just banks. It would take a two-thirds vote of a new systemic-risk council to overturn any policy, according to people briefed on the plan.



Getty Images

Democratic Sen. Christopher Dodd

This division, which Mr. Dodd has referred to as a "watchdog," would have more power than many in the banking industry expected just a few days ago. It would be able to issue sanctions against any bank with more than $10 billion of assets. It would also be able to punish certain nonbank lenders, though it would likely be up to regulators to determine which industries would be subject to such enforcement.

The Fed would also have new powers to police the U.S.'s payment and settlement system.

Another key provision would prevent large bank holding companies, such as **Morgan Stanley** and **Goldman Sachs Group** Inc., from shedding their charter to elude the Fed's scrutiny. The bill is expected to include this provision to prevent banks from trying to game the regulatory architecture.

State-chartered banks with less than $50 billion in assets would likely be overseen by the Federal Deposit Insurance Corp. National banks with less than $50 billion in assets would be overseen by a national bank regulator.

The bill would address what kinds of risks large banks can take. The White House proposed a new policy, dubbed the "Volcker Rule" after former Fed Chairman Paul Volcker, which would prohibit banks from simultaneously owning subsidiaries with insured deposits and subsidiaries that make risky trades with the bank's own capital.

Mr. Dodd's bill isn't expected to include such strict language.

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WORLD NEWS: ASIA

Protesters flood streets of Bangkok

Tens of thousands of supporters of deposed leader Thaksin demand Thailand's government call new elections

By James Hookway

European Pressphoto Agency

A villager moves past Thai soldiers standing guard near the Government House in Bangkok on Sunday as protesters gathered from around the country.

BANGKOK—Tens of thousands of protesters poured into Bangkok over the weekend, setting up what organizers say will be several days of protests to force Thailand's army-backed government to call fresh elections and demonstrating the continuing pull of Thailand's ousted leader, former telecommunications billionaire Thaksin Shinawatra.

The 60-year-old Mr. Thaksin—thrown out of power in a military coup in 2006 and now living overseas to avoid imprisonment on a corruption conviction—dominates the mass protests amid the gilded Buddhist temples of Bangkok's old-town. Bands of demonstrators marched across the city wearing red T-shirts bearing his image, paralyzing traffic. Street vendors hawked DVDs of his speeches. Countless banners declared devotion to his cause.

By Sunday afternoon, police said more than 100,000 people joined the protest, and they estimated the number would be 150,000 by Sunday night. The protesters, demanding that Prime Minister Abhisit Vejjajiva call fresh elections by noon Monday, threaten to bring this bustling Southeast Asian capital to a standstill.

On Sunday evening, thousands of demonstrators were still making their way to Bangkok in a carefully orchestrated show of resistance against what the protesters say are the antidemocratic forces that control Thailand: the armed forces and the country's traditional bureaucratic elites.

Mr. Abhisit suggested in a weekly television address that he wouldn't dissolve Parliament and call new elections, saying it could cause further tension. "Dissolution and calls for resignations are normal in a democratic system. But we have to make sure the dissolution of parliament will solve the problem and won't cause more trouble at the next election," said Mr. Abhisit, who also dismissed speculation that another coup was being planned.

Under Thailand's parliamentary system, Mr. Abhisit must call new elections by the end of 2011, and many analysts expect him to hold on as long as possible, to extract a political boost from his government's extensive economic stimulus programs.

"If the government gives in to the red-shirt demands, it would signify that the 2006 coup had no meaning. The alliance between the army and the bureaucratic elites would have lost everything they have gained in the past four years," said Thanet Aphornsuvan, a historian at Bangkok's Thammasat University. "It will be very difficult for the authorities to back down, and if they do, it will be a decision taken by the army and the bureaucracy, too, not just Mr. Abhisit."

Thailand, a significant exporter and a major hub for companies such as Ford Motor Co. and Toyota Motor Co., has been in a state of flux since the 2006 coup. The army moved against Mr. Thaksin in a bloodless takeover to stop what it said was rampant corruption and the growing challenge that Thailand's most successful civilian politician allegedly posed to the status of the country's revered King Bhumibol Adulyadej.

Since then, pro- and anti-Thaksin governments have alternated in office, while Mr. Thaksin's "red-shirt" supporters vie for dominance on the streets of Bangkok with his bitter rivals in the yellow-wearing People's Alliance for Democracy. The People's Alliance in late 2008 helped topple a pro-Thaksin government and put Mr. Abhisit in power by taking over Bangkok's international airports.

The latest demonstration—one of the largest ever in the Thai capital—came after Thailand's Supreme Court ruled that Mr. Thaksin used his time as prime minister to enrich his telecommunications businesses, and last month confiscated $1.4 billion of the $2.2 billion family fortune that has been frozen in Thai bank accounts since the 2006 coup.

Mr. Thaksin denies any wrongdoing, and on Saturday night spoke to the protesters by video-link from an undisclosed location in Europe to urge them on. "Keep healthy, be patient and stay strong," he said. "They more they bully me, the more I will fight."

Nattawut Saikeua, one of the leaders of the red-shirts, or United Front for Democracy Against Dictatorship, said in an interview late Saturday that Mr. Thaksin is a potent symbol for the demonstrators. From 2001 to 2006, Mr. Thaksin introduced low-cost health care and widened access to credit in rural areas, earning him the devotion of many Thais in the vote-rich north and northeast of the country who have been left behind by Bangkok's economic boom over the past few decades.

"Mr. Thaksin is an emblem for all the injustices inflicted on the Thai people," Mr. Nattawut said. "We will stay here as long as it takes, and in the coming days we will spread out around the city" to blockade key government sites.

As he was speaking, tens of thousands of people were preparing to sleep on the city's streets while the sound of red-shirt rock bands and the sizzle of spicy Thai sausages filled the air. Enterprising locals laid out deck chairs, offering $5 dollar foot massages for the protesters. Many businesses, meanwhile, closed, despite the presence of some 50,000 security personnel fanned out around the city.

Government leaders such as Foreign Minister Kasit Piromya regard the protests as little more than Mr. Thaksin's "personality cult." Some analysts suggest Thaksin supporters might be able to achieve more if they drop him and set out with their own pro-democracy, populist platform. Last April, Mr. Nattawut and other red-shirt leaders attempted precisely that in another series of protests in Bangkok that descended into widespread rioting and resulted in the deaths of two people.

Mr. Thaksin remains the red movement's strongest asset, however. And after the courts confiscated much of his fortune, analysts say the current protests might be Mr. Thaksin's last opportunity to regain political power, or at least negotiate a truce with Mr. Abhisit and the army's top commanders.

—Wilawan Watcharasakwet contributed to this article.

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Japan kept secret deposit with the U.S.

By Yuka Hayashi

TOKYO—The Japanese government said Friday that it secretly gave the U.S. government what amounted to a $103 million interest-free loan four decades ago as part of an agreement to end the U.S. occupation of the island of Okinawa.

Japanese Finance Minister Naoto Kan said the ministry's recent investigation into a 1969 bilateral accord showed the financial settlement Japan made with the U.S. was larger and more complex than previously acknowledged. The $103 million was deposited at the Federal Reserve Bank of New York for three decades, then lowered in 1999 to $3 million. It remains there today, government officials said.

The deposit amounted to a de-facto financial payment to the U.S. government, as the Fed was free to manage the money to generate returns without paying interest. The deposit would amount to roughly $610 million in today's dollars.

A U.S. State Department official said the probe was a historical issue and wouldn't impact relations. The New York Fed declined to comment. A U.S. Treasury spokesman said the department won't comment on individual accounts, and said many central banks and finance ministries maintained accounts there.

Mr. Kan said the ministry's study also shed light on the lax management of information related to Japan's own foreign reserve, and he vowed to make improvements.

The finance ministry's probe is part of broader efforts by the government of Prime Minister Yukio Hatoyama to improve transparency in foreign policy. His Democratic Party of Japan last summer ousted the long-ruling Liberal Democratic Party, Washington's longtime partner in Tokyo during the Cold War.

The details of historical but politically sensitive agreements come at a time of increased tensions, including over the issue of U.S. troops still deployed on Okinawa. Japan watchers have said the historical probes have had little effect on U.S.-Japan relations.

Late last year, the new Hatoyama government launched investigations into what it called "secret documents" that chronicled confidential national-security discussions that Washington and Tokyo conducted in the decades after World War II. Earlier last week, Japanese officials confirmed discussing the possible shipment and storage of U.S. nuclear weapons on Japanese soil, despite pledges by the postwar Japanese government to disavow atomic weaponry.

Many of these documents, including the one studied by the finance ministry, had long been declassified in the U.S. But Japan's previous government had never admitted their existence. While publicly available, some of the documents—such as those detailing the financial arrangements around Okinawa—had received scant attention until last week.

The documents revealed that Japan also paid $405 million to the U.S. at the time of Okinawa's return to Japan in 1972 to cover the cost of the infrastructure left by the U.S. forces and the consolidation of U.S. military facilities. The formal bilateral agreement at the time listed the amount as $320 million.

The agreement is kept at the National Archives in the U.S., but Mr. Kan said the ministry didn't have a record of the deposit. He also said bureaucrats who knew of it didn't seem to have passed it on to their successors.

"We need to admit humbly to ourselves that a piece of historic information related to our own asset management was kept on the U.S. side" but not in Japan, Mr. Kan said.

The $103 million deposit was made up of dollars collected by the Japanese government from Okinawan citizens after the end of the American occupation, when the dollar had been the island's official currency. About $60 million of the deposit was considered to be controlled by the finance ministry, with the balance under the authority of the Bank of Japan, Japan's central bank.

A finance ministry official said the ministry's loss on the no-interest account amounted to $46 million. Including the central bank's portion, the loss would be nearly double that.

The calculation is based on what the money would have earned had it been invested in U.S. Treasurys yielding an average of 6%.

—Megumi Fujikawa in Tokyo and Louise Radnofsky in Washington contributed to this article

Taiwan thaws finance sector

Taipei clears Chinese investment, branches

By Crystal Hsu

TAIPEI—Taiwan's government said it plans to allow Chinese financial companies to invest in their Taiwanese counterparts and to open branches on the island, expanding the détente between the two rivals to one of the more sensitive sectors of the economy.

The Taiwanese cabinet's decision, announced Friday, limits Chinese banks to small stakes in their Taiwanese counterparts. Nevertheless, the move marks a milestone because the two sides have been careful about opening their financial-service sectors to each other due to the complexity of the industry and Taiwan's concerns that China could use ownership of Taiwan's banks to exert political control over the island. Beijing claims Taiwan as part of its territory that must eventually return to its control.

Taiwan also has to weigh the potential of a local backlash should it open its financial-service sector too much to competitors from China.

Friday's announcement comes after a memorandum of understanding between Taiwan and China on the liberalization of cross-strait investments in the financial industry took effect in January. The new rules will apply after the two sides sign a trade pact called the Economic Cooperation Framework Agreement, which Taiwanese officials have said they aim to sign in May or June.

Under the rules, a single Chinese financial institution will be allowed to own as much as 5% of a Taiwanese bank, while Chinese banks' combined holdings in a single Taiwanese bank will be capped at 10%, a Financial Supervisory Commission official said. The official added that China's financial firms may also open branches on the island.

Bloomberg News

The Taiwanese cabinet's decision, announced Friday, limits Chinese banks to small stakes in their Taiwanese counterparts.

Chinese banks said they are eager to expand their operations into Taiwan. Lan Qi, **China Merchants Bank**'s board secretary, said, "We are applying to set up a representative office so we can offer more services to our clients." **China Construction Bank** Corp. also hopes to set up a branch in Taiwan, an official said, while an **Industrial & Commercial Bank of China** Ltd. press officer said his bank is actively seeking opportunities to access the Taiwan market.

Chinese banks would need approval from the China Banking Regulatory Commission to set up a branch in Taiwan. The CBRC didn't immediately reply to faxed questions.

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WORLD NEWS

Two men arrested for Mumbai plot

Police say Indians were planning to target an ONGC office and other places; 'They wanted to do something big'

By Arlene Chang

MUMBAI—Indian police arrested two men late Saturday that they allege were planning terrorist attacks in India's financial capital.

Mumbai's antiterrorism squad arrested the two Indians in the city's suburbs. Police said they were making plans to target an office of the **Oil & Natural Gas** Corp. as well as a cloth market in South Mumbai and Thakkar Mall in the city's western suburbs.

On Sunday, police produced Abdul Lateef Rashid, 29 years old, and Riyaz Ali, 23, in court and obtained approval to keep them in custody until March 18 when they will be charged. No pleas were taken from the detained men.

Police said the two men came to the notice of the antiterrorism squad during a regular review of intelligence following the Feb. 13 blast that killed 17 people at a popular bakery in Pune. However, the police said the men didn't have any links to that blast.

The head of the antiterrorism squad, K.P. Raghuvanshi, said the two men "were receiving directions from handlers in Pakistan who wanted them to do something big in Mumbai." He said they "often spoke to someone they called 'uncle,' who we are trying to identify with the help of other central agencies."

Mr. Raghuvanshi also said police are certain that others were involved in the planned attacks, though he didn't name any organizations. "They were planning terrorist activities and blasts at various locations across the city. The two arrested definitely belong to some terror outfit, even though we cannot say which group," he said.

The arrests come in the wake of heightened security after the bomb blast in the Pune café frequented by foreigners. The police have questioned more than 140 suspects in the case, but no arrests have been made.

The Pune blast was the first major attack in India since the November 2008 terror strikes in Mumbai, which killed 166 people.

Mumbai, always considered a possible terrorism target due to its status as India's business capital, is scheduled to host at least six matches of the country's premier-league cricket tournament over the next several weeks.

Agence France-Presse

People looking at the remnants of a Pune café frequented by foreigners that was destroyed in a bomb blast last month.

Pope's archdiocese knew of priest's abuse

By Stacy Meichtry
And David Crawford

VATICAN CITY—A burgeoning sex-abuse scandal among German priests escalated on Friday with a disclosure by Pope Benedict XVI's former archdiocese, which said a priest known to the church as a sex abuser had been returned to pastoral work there while Benedict was the presiding archbishop in 1980.

The priest later was convicted of a fresh abuse incident within the Munich-Freising archdiocese.

The archdiocese's top administrative deputy took "full responsibility" for the decision to return the priest to work, and Benedict—at that time the Archbishop Joseph Ratzinger—was unaware of it despite his position, said a statement by the archdiocese. But it said the archbishop "was involved" in decisions to house the priest at the archdiocese, where he was given therapy.

The disclosure came amid a flurry of recent allegations of priestly sexual abuse in Germany, and came on a day when the pope was briefed on the cases by a top German archbishop. After the briefing, Archbishop Robert Zollitsch, head of the German Bishops Conference, told reporters that the pope was "greatly dismayed" and "deeply moved" by the alleged abuses he had detailed during their meeting.

Archbishop Zollitsch did not publicly address the disclosure from Munich-Freising, which came later in the day.

Pope Benedict has campaigned openly against abuse by priests, condemning such incidents and stripping offenders of their ministry.

But the 30-year-old case from his own archdiocese seemed likely to touch off new questions about the pope's history in church deliberations over handling sexual offenders, and about the accountability of the Church's highest officials.

Getty Images

Pope BenedictXVI met Archbishop Robert Zollitsch on Friday to discuss abuse allegations against German priests.

More than 100 German Catholics recently have reported incidents of sexual abuse by church officials, dating back to the 1950s, church officials say. Church leaders have asked both victims and perpetrators to report incidents of abuse in Catholic schools and communities.

A separate investigation is under way in Regensburg involving alleged abuse of members of a children's choir, where the pope's brother, the Rev. Georg Ratzinger, served as a priest and choir director. Msgr. Ratzinger, who is 86 years old and now retired, told a newspaper that he wasn't aware of any sexual abuse at the choir. He said he had slapped children as a punishment, but stopped when it was outlawed in the 1980s.

The Munich-Freisig case concerns a priest who the archdiocese alleged had sexually abused boys, and came to live in the archdiocese in January 1980 to receive therapy.

The priest, identified only with an "H" in the diocese statement, was returned to pastoral work a month after he arrived. He remained in Munich-Freising until 1982 without any complaints of abuse being filed, the diocese said. In 1982, then-Archbishop Ratzinger left Munich to become head of the Vatican's Congregation for the Doctrine of the Faith. The priest later moved to Grafing, also located in the Munich-Freising archdiocese, where he was convicted in 1986 of sexually abusing minors, the statement said.

Papal spokesman Rev. Federico Lombardi declined to comment beyond referring questions to the archdiocese statement.

The Munich-Freising archdioces said the case came to light during an investigation recently launched by its current Archbishop, Reinhald Marx. Diocese investigators concluded that the priest was brought to Munich-Freising in 1980 to undergo therapy "presumably because of his sexual relations with boys," the statement said. The archdiocese did not provide any further details on the priest's history prior to his arrival in Munich.

"It was decided to house (the priest) in a vicarage so he could begin his therapy," the statement said, adding that then-Archbishop Ratzinger "helped make this decision."

In Feb. 1980, General Vicar Gerhard Gruber, the top administrative official in the Munich-Freising archdiocese, decided to return the priest to a parish in Munich, where he worked as a pastor "without any further restrictions" on his ministry, the statement said.

In a statement released through the archdiocese, Father Gruber said "the continuous assignments of (the priest) in pastoral care was a grave mistake. I take full responsibility for this. I deeply regret that these decision may have caused misdeeds with young people, and I apologize to everybody to whom this has caused harm."

In Sept. 1982, the priest was transferred to a parish in Grafing, located inside the Munich-Freising diocese. In Jan. 1985, the priest was "relieved of his duty" when "allegations of sexual abuse and a police investigation against him became public knowledge," the statement said.

A court in Ebersberg convicted the priest of sexually abusing minors in June 1986 and gave him a suspended prison sentence of 18 months and five years probation. The court also fined the priest 4000 German marks and ordered him to undergo psychological therapy, the statement said.

After the conviction, the priest again returned to pastoral service. "The relatively mild punishment of the court in Ebersberg and the statements made by the psychologists who treated him were key to his new placement in pastoral care," the statement said.

In May 2008, the priest was removed from his ministry at a parish in Garching. He was later appointed to work in the archdiocese's tourism operations, the statement said, adding that the priest was not permitted to "conduct any work involving children, youth and altar boys. No further allegations have been made against the priest, the statement said.

—Margherita Stancati contributed to this article.

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WORLD NEWS

Fed may get new view

Likely board nominees back low rates to help economy recover

By Sudeep Reddy And Jon Hilsenrath

Janet Yellen's expected nomination as U.S. Federal Reserve vice chairman would bring a strong advocate of low interest rates into the central bank's leadership just as the Fed weighs how to unwind its extraordinary intervention in the economy.

For two other vacancies on the Fed's board, the White House says it is considering Sarah Raskin, Maryland's commissioner of financial regulation, and Massachusetts Institute of Technology economist Peter Diamond, an expert on Social Security, pensions and taxation. The three nominees are being vetted and plans could change before an announcement.

President Barack Obama's unusual opportunity to name three new members to the Fed's seven-member Board of Governors at once would put an important stamp on the central bank as he tries to boost the economy and labor market. The governors vote on interest rates and oversee a wide range of regulatory policies at the Fed.

Fed Chairman Ben Bernanke, seeking to pick the appropriate time to tighten policy, is likely to get a set of new governors who support keeping interest rates low to help the economy recover.

The likely nominees are expected to be a key counterweight to the Fed's most "hawkish" policy makers—those who generally place inflation risks as a higher concern over unemployment, compared with "dovish" members who generally prefer lower interest rates for a longer period when joblessness is high.

"I expect that the board will eventually appear to be a much more dovish place than it was some time ago," said Allan Meltzer, a Fed historian at Carnegie Mellon University.

The expected nominees either declined to comment or couldn't be reached.

Ms. Yellen, already a strong voice at the Fed through her role as San Francisco Fed president, has been one of the central bank's key defenders of low interest rates, a position that could draw sharp questioning from some Senate Republicans during her confirmation.

"Some people worry that sustained federal budget deficits and the huge increase in the Federal Reserve's lending and stimulus programs could eventually lead to high inflation," Ms. Yellen said in a recent speech. "Others take the opposite view, arguing that economic slack and downward pressure on wages and prices are pushing inflation down. I would put myself squarely in the second camp."

Ms. Yellen, 63 years old, could face tough questioning from lawmakers about the number of bank failures in California, where the San Francisco Fed is a top regulator.

Ms. Yellen was tapped from the University of California, Berkeley faculty in 1994 to become a Fed governor. After almost three years, she moved to the White House as chair of the Council of Economic Advisers under President Bill Clinton.

As president of the regional Fed bank since 2004, Ms. Yellen has earned respect from the Fed's hawks as a skilled economist and worthy adversary. She is known inside the Fed as a nonconfrontational consensus builder and could help to smooth tensions among competing factions at the central bank.

Although Ms. Yellen has a reputation for being a dove, that hasn't always been her position. As a Fed governor in September 1996, Ms. Yellen and Laurence Meyer, another governor at the time, visited the Fed's then-chairman, Alan Greenspan, before a policy meeting to convince him that inflation risks were rising, according to Mr. Meyer.

Mr. Greenspan believed the U.S. was experiencing a productivity boom that would keep inflation low and favored keeping interest rates low. Ms. Yellen and Mr. Meyer wanted to raise them. She and Mr. Meyer failed to sway Mr. Greenspan to start moving toward higher rates, though Ms. Yellen continued her argument when Fed officials gathered formally. Inflation remained in check, as Mr. Greenspan expected.

Bloomberg News

Expected nominee Janet Yellen has led the San Francisco Fed since 2004.

Mr. Meyer, now vice chairman of Macroeconomic Advisers LLC, a consulting firm, calls that case "an example of Janet taking a hawkish position."

With the three nominations, Mr. Obama will have named five officials to the Fed's board. Last January, he placed Daniel Tarullo, a lawyer focused on tough regulation. In August, he offered Mr. Bernanke a second term as chairman.

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France sees no need for a Greek bailout

By Michael Casey

NEW YORK—Credible efforts by Greece's government to clean up its finances have so far negated the need for any bailout from the European Union, French Finance Minister Christine Lagarde said Friday.

In offering a strong vote of confidence in the new Greek government, Ms. Lagarde said in a Wall Street Journal interview that Greece had "for once, over-delivered from what was expected" in terms of legislation intended to cut spending.

Whereas she had expected cuts worth 1.5% of gross domestic product, the government had come up with 2%, she said.

She cited the Greek government's stringent budget cuts as the key reason for the stabilization in its debt prices, rather than any talk of a bailout plan.

Focusing on the bailout speculation to explain the market's improvement is "narrowing the debate," Ms. Lagarde said.

"The Greek authorities understood that it was in the interest of everybody, not just themselves but also members of the euro zone and the EU at large to come up with a solid plan and not something that was half-baked," she said.

"And for the first time for as long as I've been on the Ecofin (the EU finance ministers group), they over-delivered compared with what we had expected." Greece's leaders, she added, "have demonstrated that they are credible and the market responded that way."

The Wall Street Journal

Ms. Lagarde, in New York Friday, praised Greece's austerity program.

In contrast with reports out of Europe Friday that suggested the announcement of a bailout plan for Greece was imminent, Ms. Lagarde said no such plan would emerge if Greece doesn't default on its debt. "There is no such thing as a bailout plan which would have been approved, agreed or otherwise, because there is no need for such a thing," she said.

Nonetheless, Ms. Lagarde said that "technical experts" at the EU have been working on a contingency plan, so that if the need arose, "all we would have to do is press the button."

Echoing remarks made by many European leaders, she said "the members of the EU would take whatever measures necessary to make sure the currency is stable."

Consumers are spending

U.S. economy picks up along with retail sales, which gain 0.3%

By Conor Dougherty And Elizabeth Holmes

A string of surprisingly strong corporate earnings reports and economic data show that U.S. consumers have emerged from a long hibernation to start spending again on everything from new TV sets and restaurant meals to spring outfits.

The Commerce Department on Friday reported that U.S. retail sales increased a seasonally adjusted 0.3% in February from a month earlier, despite winter storms across a large swath of the country that analysts thought would keep shoppers homebound. Retail sales excluding the volatile auto sales increased 0.8%. Compared with a year earlier, sales rose about 4%.

The strong sales gains, a continuation of recent trends, helped offset data showing that January business inventories were flat and consumer sentiment slipped last month. The Dow Jones Industrial Average rose nearly 13 points to 10625 in 4 p.m. trading Friday. The market is up 197 points this year.

Cash registers are ringing more often at big retailers: **Nordstrom** Inc. and **Target** Corp. reported sales rose in February versus a year earlier as consumers snapped up new spring merchandise.

Overall, sales at stores open at least a year, a closely watched indicator of retail health, rose 4% in February compared with a year earlier, according to a Thomson Reuters index of 28 retailers.

"Once hesitant and even fearful, [shoppers] now are taking pride in their newfound financial discipline," Kathee Tesija, executive vice president of merchandising at Target Corp., said last month. "Their confidence is leading them to add a few more home and apparel items to their basket."

The Commerce Department report showed gains across a range of retailers. Clothing stores posted a 0.6% increase in the month, spending at restaurants and bars grew 0.9% while miscellaneous retailers, including department store chains, posted 2.5% gain over January.

The largest month-over-month gain was at electronics and appliance stores, where sales rose 3.7%. In part, the gain reflects spending on new television sets to watch the Super Bowl, analysts said.

Costco Wholesale Corp. reported February U.S. sales excluding gasoline rose 2%. Richard Galanti, Costco's chief financial officer, said last week that midticket home goods are "selling pretty darn well" and contributed to February's improved results.

Consumer purchases, which account for 70% of U.S. economic activity, are crucial to an economy still emerging from a deep recession. But while consumers are growing more willing to spend, economists expect the pressure of stagnant wages and mounds of debt to hold back the momentum in sales growth.

At the end of 2009, total household debt in the U.S. was 122.5% of annual disposable income, down from a peak 130.6% in 2008. For most of the 1990s, the ratio was under 90%.

Be it increased savings or tighter credit, the result is that many consumers are unable to keep spending at past levels.

But with heavy consumer debt loads and a 9.7% U.S. unemployment rate, some economists say February's big gains could disappear as quickly as February snows. "If you look at the weak income growth we're seeing and the balance sheet issues, I don't see where the fuel is to sustain this level of spending," says Joshua Shapiro, an economist with research firm MFR Inc.

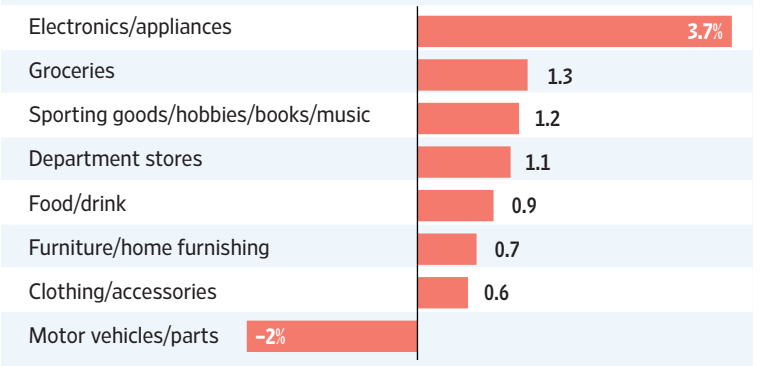
Consumer uneasiness was reflected in the University of Michigan/Reuters consumer-sentiment index, which was released Friday and declined to 72.5 in the first part of March from 73.6 in February. That is well above the recession low of 55.3 recorded in November 2008, but still weak by historical standards.

Lower shelf stocks may be encouraging shoppers to buy what they can, but are restraining business inventories. A separate Commerce Department report Friday showed that January business inventories were flat at $1.310 trillion.

Retail inventories fell 0.1% in January after rising 0.2% in the prior month.

A thaw in thrift

Estimated change in February retail sales from month earlier, by type of business.



Source: U.S. Commerce Department

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WORLD NEWS

Taliban blast Kandahar

At least 35 are killed in series of bomb attacks that targeted prison

By Yaroslav Trofimov

KABUL—The Taliban struck Kandahar, Afghanistan's second-largest city and the target of coming U.S. military operations, with a series of bombings over the weekend, killing at least 35 people, many of them police officers.

The Islamist movement said the attacks, on Saturday night and Sunday morning, were meant to be a message to the U.S.-led coalition's commander, Gen. Stanley McChrystal, proving that the insurgents "are fully prepared and ready to fight the Americans" despite the recent surge in allied troop numbers.

The attacks' main target appeared to be Kandahar's prison, where many Taliban detainees are held. The Taliban bombers also hit the police headquarters in the city and the vicinity of the residence of the powerful provincial council chief Ahmed Wali Karzai, President Hamid Karzai's brother.

This weekend's blasts were the latest in a string of bombings and assassinations carried out by the Taliban, who aim to intimidate Kandahar's population and paralyze the Afghan government's activities in the sprawling city of one million people. Kandahar is the Taliban's spiritual home and the biggest population center of the Pashtuns, Afghanistan's largest ethnic group.

"Kandahar is important, and everyone knows that the terrorists do not want peace to come here," said Kandahar Mayor Haidar Hamidi. "Such bombings happened before, and no one can say they won't happen again."

European Pressphoto Agency

Afghan soldiers secure the site of a Taliban militant attack in Kandahar Sunday.

Most of the explosions, which reduced entire city blocks to rubble, were diversions that aimed to distract security forces from the prison compound, Mr. Hamidi added. According to him and other Afghan officials, the insurgents attempted to repeat their 2008 raid on the prison, which at the time succeeded in freeing hundreds of incarcerated Taliban fighters. The prison has since been reinforced, and this weekend's jailbreak attempt failed.

"There was a huge flame in the air, and then the electricity was gone in the whole area. Windows shattered and the children started to cry," said Agha Shirin, a 22-year-old tailor who lives near the prison. A neighbor who lost a son and a daughter during the 2008 attack was in mourning again, after Saturday's blast killed another two of his children, Mr. Shirin added.

The majority of the victims this weekend were civilians, Afghan officials and witnesses said. The Taliban, who tend to exaggerate their battlefield achievements, claimed in a statement that they killed or injured "a large number" of U.S. and coalition soldiers in this weekend's attacks. U.S. Air Force Lt. Col. Todd Vician, a coalition spokesman, said no foreign troops were hurt or killed in the Kandahar attacks.

The Taliban, mindful of losing public support, insisted on Sunday that no civilians were hit in Kandahar because the explosions occurred during curfew hours. As it happens, there is no curfew in Kandahar.

U.S. troops largely stayed out of the Kandahar area until last year, as the Canadian military, responsible for the province, suffered heavy casualties—and were unable to check insurgent advances. Last summer, the U.S. Army poured thousands of additional soldiers into the Kandahar area, taking over many parts of the province from the Canadians.

Even more American troops are scheduled to arrive in the Kandahar province in the coming months, providing the muscle for an offensive against the insurgents. Coalition commanders have repeatedly said that Kandahar will be the alliance's next target, after last month's push into the Taliban enclave of Marjah, in neighboring Helmand province.

Meanwhile, President Karzai this weekend partially reversed his decision to oust foreign members of the country's election watchdog. In last August's elections, the Election Complaints Commission—where three of the five commissioners were international United Nations appointees—threw out nearly a million votes cast for Mr. Karzai as fraudulent. Last month, Mr. Karzai said all the ECC commissioners must be Afghan citizens, sparking criticism that he seeks to influence the outcome of parliamentary elections scheduled for September.

On Saturday, Mr. Karzai's spokesman said that foreigners will be allowed to keep two of the five ECC seats. He didn't specify who will have the right to appoint them.

—Arif Afzalzada and Habib Zahori contributed to this article.

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The Cost-Control Illusion

Above all other reasons, American voters who oppose ObamaCare cite their fear over costs: They think it will cause their insurance premiums to soar and result in far higher taxes to fund a vast new entitlement. The public is right on both counts, which is why White House smokejumpers have been dispatched to put out this fire as the final votes approach.

Let's take their claims one by one.

• *A new entitlement can "save" money.* That was the main thrust of a recent Washington Post op-ed by White House aides Peter Orszag and Nancy-Ann DeParle.

It's true that the Congressional Budget Office estimates that the Senate version of ObamaCare would reduce the deficit by $118 billion over 10 years. But even that number was concocted by budget gimmicks, such as using 10 years of new taxes to fund six years of benefits. Mr. Orszag says this doesn't matter because CBO says the bill will save some $1 trillion in the second decade too.

In fact, CBO is careful to stress that it doesn't really know "because the uncertainties involved are simply too great" over such a long time period. CBO also says that the new entitlement will grow by 8% a year, even as Medicare and Medicaid grow by similar magnitudes and overall federal spending is already at 25% of GDP.

• *Insurance premiums will fall.* Dan Pfeiffer, Mr. Obama's communications director claims the plan "will make insurance more affordable by providing the largest middle class tax cut for health care." So subsidies are really *tax cuts*?

Breaking down the ObamaCare claims.

Insurance subsidies are transfer payments in which government takes money out of the private economy and gives it to someone else. Subsidies thus put an even larger share of health-care spending in government hands. When you subsidize something, you get more of it, which means higher demand for insurance and health-care services. Combine this with new mandates that have raised costs in every state where they have been tried, and you will get higher premiums.

• *The Cadillac tax*. This is the 40% excise tax on high-cost insurance plans that the White House proposed because it lacked the political will to directly reduce the $250 billion annual tax subsidy for employer-based insurance. But then the White House scaled back even this effort, delaying its start until 2018 because of union opposition.

Not to worry, says Mr. Orszag, the tax would still create a "gradually increasing incentive to seek higher-quality and lower-cost health plans." In other words, some future Congress will impose the pain Democrats refuse to impose today.

Mr. Orszag also says these future politicians won't block the tax because this "would violate the statutory pay-go law just enacted." He's referring to the same "pay-go" rule that Congress has violated to the tune of $800 billion or so just in the last year.

• *Pilot programs*. Mr. Orszag and Ms. DeParle also boast about the bill's micro-initiatives and Medicare demonstration projects. They write that "even if we thought we had the answer for containing costs and improving quality today, that would quickly change as health care evolved."

It sounds reasonable. Yet they're forced into this vague hope because their other ideas have either been killed by Congress or because CBO says they won't save money. About the "Hospital Value-Based Purchasing Program," CBO says it will cut spending by $0 over 10 years. The "National Pilot Program on Payment Bundling"? Also $0.

• *The Medicare commission*. This is the real secret of Mr. Orszag's cost-control confidence, and Harvard economist David Cutler wrote in our U.S. pages last week that this "independent board" of sages will have the power to recommend spending cuts and create "a process for fast-tracking such recommendations through Congress." We'll believe that when we see it.

But let's say Congress does cede power to this unelected group of wise men. The commission will then function much like similar bodies do in Europe—controlling costs by denying coverage for new technologies or patients at the end of life, or by limiting spending on certain treatments and thus creating longer waits. Governor Deval Patrick has already announced the early stages of such a price-control regime in Massachusetts.

* * *

ObamaCare's real cost-control plan boils down to this: First subsidize coverage so much that costs explode, raise taxes as much as possible to pay for it, and when that isn't enough hand power to an unelected committee to limit treatment and control prices by government order. This is what Democrats are voting for.

Engagement Versus Human Rights

It's been more than a year now since President Obama began seeking engagement with rogue regimes the world over. Last week, his own State Department tallied up the benefits of that effort to human rights. There appear to have been none.

Around the world, human rights deteriorated markedly over the past year, according to the 2009 Human Rights Report, released Thursday. The trend wasn't confined to traditional forms of repression, such as restrictions on assembly or religion. Authoritarian regimes are adapting to modern times but restricting speech on the Internet, booting out nongovernment organizations and more. State surveyed 194 countries.

The report found that China's situation had "worsened" as Beijing cracked down on minorities in Tibet and Xinjiang, jailed human-rights lawyers and journalists, and enforced its one-child policy. Iran's "poor human rights record degenerated," particularly after Tehran rigged its July election. Burmese authorities "committed extrajudicial killings, disappearances, rape, and torture."

State tried to put a gloss on the downward trend, noting that the United States and others are showing "leadership in advancing respect for universal human rights, promoting tolerance, combating violent extremism, and pursuing peaceful solutions to long-standing conflicts in the Middle East and elsewhere."

But if that's true, the "leadership" doesn't seem to be working. After State's report was issued, featured offenders such as Iran, Venezuela and Vietnam strongly dismissed the findings. China called the U.S. "the main source of many human rights disasters worldwide;" a suggestion echoed by Russia. Even Ethiopia said the report contained "serious intellectual deficiencies."

However absurd, these reactions show that human-rights offenders pay close attention to what amounts to a mere State Department report. Imagine the good it could do if Mr. Obama more closely aligned his diplomatic priorities with its conclusions.

Obama's Export Agenda and Korean Cars

President Obama promised in his January State of the Union Address to boost American exports, and Thursday he started fleshing out how he plans to do that. There's one problem: He's still missing the point on free-trade agreements.

In his single mention of pending trade deals in the speech, Mr. Obama said he'll "strengthen relations with key partners—specifically South Korea, Panama and Colombia—with the goal of moving forward with existing agreements *in a way that upholds our values*." The italicized phrase (our emphasis) is the new language of trade opponents looking for excuses to scuttle deals, and it arrives even after Democrats won additional environmental and labor concessions from Seoul and Bogota.

Free-trade agreements will help the U.S. sell more abroad.

It's a shame Mr. Obama didn't defend these deals more forcefully, because they'd provide ready-made opportunities to boost exports. For one example, look at the automotive section of the pending Korean trade agreement. Those Big Three exporters from Detroit have been trying for years to crack the Korean market, with minimal success. Korea imports only a few thousand American cars each year, compared to the hundreds of thousands of Korean cars the U.S. imports.

Korea's 8% tariff on cars is only the first barrier. Seoul also imposes an "engine displacement tax" that hits bigger American imports harder than the smaller cars Korean companies make. Regulators have a history of crafting safety rules unique to Korea through a bureaucratic process that excluded comment from foreign carmakers. At times, the trade barriers have been even more creative; in the 1990s, Seoul threatened to conduct tax audits on any Koreans buying foreign luxury cars.

The trade deal would fix all this. The 8% tariff would disappear immediately. Korea would work to harmonize its safety rules with the rest of the world. The agreement sets conditions on safety standards, such as a requirement that they "not be more trade-restrictive than necessary" to meet requirements based on considerations like "available scientific and technical information"—important legalese when dubious safety standards have been imposed in ways calculated to limit trade. If Korea stalled or reversed on fixing these technical barriers, the U.S. could raise its tariffs on Korean cars.

In exchange for this greater Korean openness to U.S. autos, Washington would need only to phase out the already low 2.5% tariff on Korean passenger cars over three years, and gradually reduce the 25% tariff on Korean pickup trucks over a decade. The benefits are so obvious that opponents have had to tie themselves in knots to justify their obstructionism. Complaints include Korea's technical barriers to trade—never mind the enforcement mechanisms in the deal—and the fact that Korea currently sells so many more cars in America than vice versa. Well of course. Congress needs to ratify the deal precisely to address these concerns.

The key fact is that America's car market already is relatively open. The purpose of the trade deal is to open export markets for Americans. As with Korea's car market, so too with the other trade deals. Most Colombian goods already enter the U.S. tariff-free. The Colombian FTA would finally offer American exporters the same benefits. We'll know Mr. Obama is serious about export promotion when he devotes an entire speech to the importance of ratifying these pending trade deals and fast.

OPINION

The Conscience of a Florida Conservative

[Journal Interview] with Marco Rubio

By Collin Levy

Miami

"They voted for somebody they'd never heard of in Barack Obama because he ran on the platform of a very devoted centrist."

That's the answer from Marco Rubio when asked about his stunning rise to national prominence as a Republican challenger to a popular Republican officeholder in the key electoral state of Florida. Underlying this strange political season, says Mr. Rubio, is the president's rapid uncloaking in office as anything but the postpartisan that voters thought they had elected.

"Within weeks," says Mr. Rubio, "he began trying to implement what appears to everyone else to be the left-of-center politics of the last 50 years, but in a much more aggressive way, using the excuse of a severe economic downturn as justification for growing and in essence redefining the role of government in America."

The would-be senator on how the Republican Party can show it deserves to govern again.

The 38-year-old former Florida Speaker of the House is a bundle of energy. He rushes in late from dropping his car off at the shop and is due to pick up his kids from school soon. He talks fast and taps his toe even faster. He's challenging Florida Gov. Charlie Crist in the Republican primary to fill the seat of retiring Sen. Mel Martinez, and his ascent has caught a lot of people by surprise.

Mr. Crist, a popular and successful governor, was considered the heavy favorite. He had been on John McCain's vice presidential short list. He had no trouble collecting Republican establishment endorsements for his Senate bid: the National Republican Senatorial Committee, Senate Republican Leader Mitch McConnell, Sens. Jon Kyl, John Cornyn and Lamar Alexander, to name a few.

Mr. Rubio nods when I mention his former longshot status. "When I got into this race, I understood that all the traditional metrics of politics were against us. Name recognition, money, trappings of office, connections, endorsements, you name it.

"Obviously, things have happened outside of our control since then," he smiles.

With a now-infamous photo of Mr. Crist embracing President Obama during a visit in February 2009, Mr. Crist put himself on the wrong side of the tea party wave that was building. Mr. Obama had come to Florida to sell his stimulus plan, and Mr. Crist's hug was easily portrayed as embracing a new, unwanted era of super big government.

What followed was a wave of revulsion that has propelled Mr. Rubio to the status of a new GOP up-and-comer. Some have suggested if Mr. Rubio beats Charlie Crist—recent polls have him leading by 18 to 32 points—it would lead to civil war in the Republican Party. The winner then would be the Democrat in the race, Rep. Kendrick Meek, who could portray Mr. Rubio as a creature of the far right in a state that's relatively moderate on social issues and strongly concerned with bread and butter right now.

Mr. Rubio says he won't shy away from social issues if asked. He is pro-life and says he would support a Senate filibuster of a Supreme Court nominee under some circumstances. But his campaign is staking out an updated version of the Reagan agenda. "We're focused on jobs and national security," he says, "because those are the great and profound national issues of our moment and that's what 95% of our campaign is based on."

Front and center is the idea that, fiscally, the federal government is running off the rails. That Washington should be "taking borrowed money to fund the general operation of government," he says, "and that somehow the government will build so many roads and bridges that everyone will have a job for the next 30 years is absurd."

Which leads to Job One: To get spending under control in Washington, Mr. Rubio would support a constitutional amendment to balance the budget, something Florida already has in place. "I don't care whether Republicans or Democrats are in charge," he says. "If you allow politicians to spend money, they'll do it."

He also favors freezing discretionary spending. It's a crude device and ducks the hard work of setting priorities, but "some level of discretionary spending freeze" sends "a powerful signal to our economy and the world that America is serious."

* * *

Entitlement reform is next. "I know . . . people don't like to talk about it," but Mr. Rubio says the country has to look at changing the Social Security system for people who are 10 or more years away from retirement age. "Privatization of the accounts has come and gone," he says. "There are other alternatives, such as [raising] the retirement age, how you adjust payments in the future, 'need' measures, et cetera."

Part and parcel is authoring a new tax code "that creates a competitive environment in America." This means lowering rates on capital gains and reducing the corporate tax rate from 35% to at most 25%, which Mr. Rubio notes is the European average. "Even the president admitted the corporate tax rate is too high," he says.

What Mr. Rubio is talking about is an economic confidence agenda to convince Americans and the world that this country isn't incapable of dealing with its debts except through inflation and job-killing tax hikes. "The bottom line," he says, "is that jobs in America are created by people who . . . decide to start a business or expand an existing business." They will do so only if allowed to keep what they earn and don't have a "big target on their back for the government to come after them for higher taxes."

Mr. Rubio says that for all Mr. Obama and his Democrats talk about "reform," they aren't promoting reform as a way of mastering the government's unaffordable commitments. Their idea of reform is to enlarge those commitments, starting with ObamaCare, a massive new entitlement for the non-needy middle class.

Ken Fallin

Democrats have effectively decided to save until later the problem of how to pay for it all—though the answer is not a secret. It's a European-style value-added tax that would let the government permanently ratchet up its share of GDP. "I don't know if it's a short term goal but it's one the left has had for a long time," Mr. Rubio says of the VAT.

America's swelling debts, he says, will trigger a demand by global lenders that "America do something, either cut spending, which will be increasingly painful as government becomes a bigger and bigger part of the economy, or find sources of revenue." Then, amid a crisis, Democrats will force voters to accept a VAT or see dramatic cuts to Social Security and Medicare just as the baby boomers are entering retirement.

In Florida, Mr. Crist has accused Mr. Rubio of supporting an increase in the sales tax, a charge that Mr. Rubio calls "absurd" and "intellectually dishonest." The plan was a net tax cut, he says, which "basically eliminated the property tax and replaced it with a revenue-neutral consumption tax, 30% of which was paid by non Floridians entering the state." Mr. Crist supported a similar tax-swap plan from the Florida Taxation and Budget Reform Commission.

Gov. Crist's campaign has also gone after Mr. Rubio for double billing state taxpayers and the Republican Party of Florida for eight flights while he was speaker of the house, a screw-up Mr. Rubio calls an "unfortunate" but honest error.

A few weeks ago, former Florida Gov. Jeb Bush finally broke his silence in the Crist-Rubio battle. He called Mr. Crist's support for the Obama stimulus spending bill "unforgivable" and a "mistake," saying the bill was more about advancing a permanent left-wing agenda than meeting an economic emergency.

It's been a long time coming for those who consider Mr. Rubio to be Jeb Bush's ideological heir. At Mr. Rubio's swearing in as Florida house speaker in 2006, Mr. Bush told a story about "Chang the mystical warrior" of conservative causes before presenting Mr. Rubio with a golden "sword of the conservative warrior."

From the popular two-term governor, Mr. Rubio says he learned that policy has to come from principle. "You're going to get criticized. You're not always going to please everybody," he says. But "even people who disagree with you will ultimately respect the fact that they knew where you stood."

In contrast, voters are increasingly bewildered about where Mr. Obama stands. One day they hear that his health-care plan is a mere tweak that would let them "keep what they have." The next, they hear the bill is a 2,000-page monstrosity that would cost trillions of dollars and remake some 15% to 17% of the economy.

Mr. Rubio says the rebellion goes deeper than free-marketers objecting to a massive governmental intervention in the economy. Voters feel like they've been betrayed by their leaders: "You have leaders saying, 'We know you hate this . . . but we're going to force it down your throat because it's good for you.' It's almost an elitist attitude toward the American people . . . that they [Mr. Obama and his policy allies] are smarter than the rest of us."

On national security, he adds, the Obama administration has been a "fiasco." By making unilateral demands on the Israeli government in regard to settlements, he says, the White House took away Israel's leverage and "sent a message that America is not as committed to Israel as it once had been."

Failing to "speak forcefully on behalf of the democratic opposition that tried to rise up in the aftermath of a fraudulent election in Iran" was another error, Mr. Rubio says. "Of course we didn't have any problem interfering with the sovereignty of Honduras a few months later," he notes, referring to Mr. Obama's objection to the removal of President Manuel Zelaya.

Securing the border is critical, Mr. Rubio says, but he also recommends that Republicans keep their nativist impulses in check to avoid hurting the party with Latinos, a good chunk of whom are natural GOP allies on growth and opportunity. The rhetoric of some Republicans on immigration "has created a problem," he says. "I don't think the Republican Party should be the anti-illegal immigration party. We should be the pro *legal* immigration party, and we need to do a better job of explaining that to people."

Mr. Rubio's fan base is similar to that of Sarah Palin, though Mr. Rubio, whose family immigrated from Cuba, gets more points for policy smarts. He's never met Ms. Palin but admires her political style: "I think she brings a level of real-life everyday sentiment that people identify with. . . . I think she energizes people."

Among both supporters and skeptics in the GOP, there's a sense that the two, along with Wisconsin Rep. Paul Ryan, are among the party's leaders of the future—and also a sense that after the Bush interregnum the fundamental soul of the GOP is Reaganite after all. Money has also begun pouring in to help level the playing field against the well-funded governor.

* * *

Mr. Rubio says that a Sarah Palin endorsement would be welcome and "a positive" at this point. But you also get a feeling he's one GOPer who doesn't need her blessing to prove he's a very different kind of Republican than those who soiled the party's brand during the Tom DeLay era. "Frankly, I think this party abandoned its roots and what made it successful," he says.

"Most Americans support the notion of limited government. When the Republican Party has been about those things, it's been successful," he says. "When it's been about anything else it's been unsuccessful."

Ms. Levy is a senior editorial writer at the Journal, based in Washington.

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OPINION

Obama's Foreign Policy Paradox

By Matthew Kaminski

Washington

These days, good news for the Obama administration comes from places like Iraq and Pakistan. Let's ponder the irony for a moment.

Three in five eligible Iraqis of all sects earlier this month defied terrorist threats and made their national elections a democratic marvel. President Obama helped make it possible, defying his anti-war base to keep a sizable American troop presence in Iraq.

Prodded and nurtured by Washington, the Pakistanis have at last started a crackdown on the Taliban in their sanctuaries. If last month's arrest of the Afghan insurgents' military chief is followed by bigger Taliban and al Qaeda fish, Mr. Obama will have squeezed far more out of Pakistan than his predecessor to aid America's fight. In Afghanistan itself, his troop surge may be paying off, most visibly with the capture of a Taliban stronghold in Marjah. Momentum and perception are half the battle in this war. Both are now on America's side, after a couple years when the Taliban were seen as ascendant.

Iraq and Afghanistan have been a success, but elsewhere the president looks weak.

These successes make for some awkward conversations in Washington. Mr. Obama gives few speeches on his hot wars. When Vice President Joe Biden did allow that Iraq "could be one of the greatest achievements of this administration," voices on the right demanded credit for George W. Bush as well and the left was noticeably mute. As the old saw goes, an election doesn't change a nation's fundamental interests. Where U.S. troops are engaged, Mr. Obama isn't the innocent abroad both his critics and supporters might have hoped for.

Then there's the other side of his foreign-policy coin. Mr. Obama has moved hard on his promised changes to engage adversaries, inspire friends and refurbish America's global image. The results are not as impressive.

Take them in turn. The renewed diplomatic push with Iran and North Korea has yielded nothing concrete, except to give them time to build nukes. This failure exposes perhaps the worst strains on foreign policy inside the young administration. From Hillary Clinton's State Department come complaints of an overly cautious (and overly centralized) White House unwilling to take the risks necessary to strike a grand bargain with a Tehran or Pyongyang, or push harder to punish them.

National Security Adviser Jim Jones touts an "engagement" breakthrough in Russia. It opened up a military transport corridor to Afghanistan and changed its public tune on possible U.N. sanctions (however weak) on Iran. Set those modest dividends against the ongoing failure to get a START deal. The atomic arms pact was supposed to be a gimme last year that would lead us to President Obama's nuclear-free nirvana—until Vladimir Putin threw a fit over America's revised plans to put some missile defense batteries in Romania. The Putin regime is as

Reuters

hostile as ever to democracy at home and to free-minded neighbors. And the so-called reset with Russia comes at a cost to America's relations with Central European allies.

As for Obama inspiration, Western European leaders are uninspired by his disinclination to engage them. They've refused to pony up more troops for Afghanistan. The South's rising democracies—Brazil, India and South Africa—consistently side against the U.S., while Turkey continues to drift away from the Western camp. High global popularity marks for the president aren't getting converted into real life gains for U.S. interests.

Mr. Obama tries hardest of all to make good on President Bush's discarded promise of a "humbler" nation. His America won't push our values on others. U.S. support for democracy promotion was cut in places such as Syria and Egypt, and the importance of human rights scaled back. In Bolivia, the "democracy and development" arm of the U.S. Agency for International Development was rechristened "the office of public administration," and all funding for democracy groups cut at the request of President Evo Morales. In a break with past administrations of either party, the U.S. doesn't wish to spoil the mood in these places by bringing up touchy topics such as jailed dissidents or a free press. Its "realism" is all about finding "common interests."

How does the new image of America look from abroad? Not always the way Mr. Obama presumably intended. Human-rights activist Oleg Kozlovsky runs Oborona (Defense) in Moscow. "The political culture in authoritarian countries, at least in Russia, is such that if Obama looks for compromise, they won't answer with good will," he says. "They see you as weak and push for more. They see it as a carte blanche to repress their own people." This applies as well to Iran's Mahmoud Ahmadinejad and Venezuela's Hugo Chávez. Perhaps not coincidentally, human rights are deteriorating most glaringly in countries currently deemed "strategic partners" of the U.S. such as China and Russia.

It's too early to say what lasting impression this administration will leave: a weaker America ready to kowtow to rogues and autocrats, or a strong power committed to finishing the job in Afghanistan, Iraq and maybe one day Iran? The first paradoxical year of the Obama foreign policy gives no firm answer, and some cause for concern.

Mr. Kaminski is a member of the Journal's editorial board.

Putin Steps Into the India Breach

By Sumit Ganguly

India's prime minister declared Russia a "key pillar of our foreign policy and a valuable strategic partner" Friday. There's no stronger signal that the Obama administration's neglect of India is starting to have real foreign-policy consequences. If the United States doesn't act quickly, much of the progress in U.S.-India relations over the past decade will be lost.

Vladimir Putin

Mr. Singh is simply renewing long historical ties with Russia; ties that flourished most strongly during the Cold War. Back then, India relied on the Soviet veto to protect itself from possible censure at the United Nations Security Council concerning the Indo-Pakistani dispute over Kashmir. India also depended on the Soviets to supply cheap, sophisticated military technology, and counted on them to counter China in the event of renewed conflict along the disputed Himalayan border.

The Soviets, in turn, saw the diplomatic advantage of limiting American influence in India. It was a major diplomatic coup: Moscow could boast of excellent relations with the world's largest democracy and a leader of both the Group of 77 developing nations and a founding member of the Non-Aligned Movement. Later, in the wake of a disastrous invasion of Afghanistan, the Russians could also count on India's studious silence at the U.N. General Assembly during debates about the Soviet occupation of Afghanistan.

Prime Minister Vladimir Putin's visit to New Delhi last week underscored the renewed significance of this bilateral relationship. This makes sense: India's economy is thriving, and so are its investment opportunities. Thanks to the arduous efforts of the Bush administration, which helped forge the historic Indo-U.S. civilian nuclear accord, India can now engage in the global civilian nuclear trade. Ironically, the Russians are now cashing in on it. During Mr. Putin's visit, the two sides agreed on a road map for the construction of two new 1,000 megawatt nuclear reactors at Kudankulam in the southern state of Tamil Nadu.

The Russians are also eager to revive the arms relationship. They have already bagged the sale of a refurbished Soviet-era aircraft carrier, the Admiral Gorshokov, which is due to be delivered to India by the end of 2012. While in New Delhi last week, Mr. Putin successfully negotiated the sale of more of the naval versions of the MiG-29 fighter aircraft which can use the Gorshokov as a platform,

The Obama administration's neglect of New Delhi is starting to have serious consequences.

and pitched the sale of new MiG-35 multi-role combat aircraft. Currently, the Indian Air Force is in the market to acquire as many as 126 such aircraft, for the sum of about $12 billion. An active bidding war between American, European and Russian military aircraft manufacturers is underway.

Finally, Mr. Putin's 24-hour visit also underscored the reaffirmation of the significance of Indo-Russian diplomatic ties, which drifted under his predecessor, Boris Yeltsin. Mr. Yeltsin was predominately occupied with domestic politics, and when he did focus attention abroad, it was on courting the West, not India. At that time, India had fewer investment opportunities and its arm sales opportunities weren't attractive to Moscow. All that has now changed.

Russia's renewed push into the subcontinent stands in sharp contrast to U.S. neglect, which has left many policy makers in New Delhi both frustrated and bewildered. Mr. Singh's state visit to the U.S. in October was conducted with much fanfare. There has been pitiably little effort from Washington to follow up on matters of substance such as cooperative ventures in trade, counterterrorism and military-to-military ties. The U.S.-India civil nuclear deal has been passed, but there's an outstanding dispute concerning the potential liability of American suppliers. Mr. Obama has spent far more time courting states like North Korea, China and Pakistan than he has India.

Good Indo-Russian relations need not necessarily come at the cost of a robust Indo-U.S. relationship. However, bilateral ties aren't formed or maintained of their own accord. If Mr. Obama continues to neglect India, other powers—many of which see the U.S. has a strategic competitor—will step into the breach. Given all the authoritarian regimes, terrorism and the tenuous economic recovery in Asia, can Mr. Obama really allow U.S.-India relations to backslide into the mutual neglect last seen during the Cold War? We may be about to find out.

Mr. Ganguly holds the Ngee Ann Kongsi Chair in International Relations at the Rajaratnam School for International Studies at Nanyang Technological University in Singapore.

Pepper . . . and Salt

THE WALL STREET JOURNAL

"It's like having our own private luxury box in the game of life."

CHINA: NATIONAL PEOPLE'S CONGRESS

Latest gathering sees lively debate

Spotlight on leaders exposes tensions between people seeking more openness in government and tradition of secrecy

By Shai Oster
And Sky Canaves

BEIJING—Over the past two weeks, a rare spotlight has fallen on Chinese leaders attending the annual session of the legislature. It hasn't always been flattering.

Li Hongzhong, the governor of Hubei, blew up at a reporter affiliated with the People's Daily who asked him a tough question about a rape case in his province.

"The People's Daily? How can you ask such a question?... I'm going to find your boss. Are you really from the People's Daily?" he said.

By the weekend, hundreds of mostly Chinese journalists had signed an on-line petition calling for the governor's resignation, a rare direct challenge of the government's authority. "Our tolerance has run its length and extends no further," the petition said. "People need to be reminded that journalists still exist in this world, as well as to be reminded what being a journalist means; more importantly, people need to know that their civil rights still belong to them and them alone. Having witnessed senior official Li's rage, the time has now come for him to see and hear the fury of the news media profession and how far that fury has now spread."

This year's full meeting of the National People's Congress has underscored the tensions between the public's demand for more openness and accountability, and long-held traditions of official power that stress secrecy and deference to authority.

Between the formulaic speeches have been some unusually fiery debates. "The discussion is more lively," says Han Deyun, a lawyer from the vast city of Chongqing in western China. "Before delegates could talk behind closed doors, but now it's out in the open."

Associated Press

Chinese delegates stand for the national anthem at the close of the National People's Congress in Beijing on Sunday.

Mr. Han, who practices corporate law, has for five years submitted a proposal to the NPC calling for government officials to publicly disclose their assets. After several tries, in 2008, his suggestion was passed to the Ministry of Supervision for investigation. This year, Premier Wen Jiabao said in his speech to the Congress—the equivalent of the U.S. State of the Union address—that officials should disclose their personal and family wealth. Mr. Han isn't fully satisfied. "They're reporting to their superiors, not to the public," he says. "But I'm happy this is going in the right direction."

China's rulers are trying to raise the profile of the Congress as an outlet for public debate. But they have made it clear they want to control the discussion. A senior editor at the Economic Observer newspaper was fired for co-writing a bold editorial that appeared shortly before the Congress opened calling for a relaxation of residency rules that divide urban and rural citizens. The editorial was unsanctioned by Communist Party propaganda officials, who retaliated by punishing the Economic Observer and 12 other newspapers that ran the piece.

Still, the public is getting a slightly clearer glimpse of the inner workings of the Congress, which brings together China's political, cultural and business elites and ended Sunday.

"They don't have a choice," says Li Cheng, a political scientist at the John L. Thornton China Center, a part of the Brookings Institution. "The controls have been severe, but society has changed and the public wants to have a venue for open discussion about the issues related to their day-to-day life. The National People's Congress is still a good venue because it's not the center of the decision-making in reality, but it's supposed to be the discussion of the people."

The real power in China's political system remains with the top Communist Party leadership, a group of a few dozen. Most of the actual lawmaking is done by the standing committee of the Congress, which has some 175 members whose low-key meeting get much less scrutiny.

But the full session is the political calendar's main event. Expectations have been rising, and the Chinese public has been quick to deride those delegates who fail to live up to them.

Olympic hurdler Liu Xiang was criticized for not fulfilling his duty when he revealed to reporters that his proposals to the Chinese People's Political Consultative Conference, which meets ahead of the Congress, had been ghost-written.

"We can't deny that the two meetings have some shortcomings," said Mo Jihong, a constitutional law expert at a government-backed academy "But they're still really important. This system's strong point is that that it is a very broad voice of the people and leaders pay attention to it."

Russell Leigh Moses, a Beijing-based political scientist, said the Congress is important because "it demonstrates that discussions and policy options are both possible, even in a one-party system."

Mr. Moses adds that increasingly "the leadership is willing to listen to, if not always act on, suggestions about where current policies of the Party fall short."

Wen blames U.S. for cooling relationship

Continued from first page

it makes no secret of its disdain for U.S. economic management, and is in no mood to be lectured by Washington about how to support the world economy.

The Taiwan arms sales in January effectively froze relations between the U.S. and China, and Mr. Wen's remarks made clear that a deep chill still exists, though both sides appear anxious not to let the situation spiral out of control.

The first question Mr. Wen fielded was on China's currency policies, which have kept the yuan effectively pegged to the dollar since the government halted the Chinese currency's gradual appreciation in mid-2008. The U.S. and Europe, and increasingly China's Asian neighbors, argue that this policy has kept the yuan seriously undervalued and given China an unfair advantage in trade at a time when many other economies are struggling.

"First of all, I do not think the renminbi is undervalued," Mr. Wen said, using the Chinese currency's official name. "We are opposed to countries pointing fingers at each other or taking strong measures to force other countries to appreciate their currencies. To do this is not beneficial to reform of the renminbi exchange-rate regime."

Reuters

Premier Wen Jiabao said the U.S. has 'violated China's territorial integrity' in its dealings with Taiwan and the Dalai Lama.

Mr. Wen didn't repeat the language used this month by central bank Gov. Zhou Xiaochuan, who had said the yuan's current de facto peg to the U.S. dollar is a "special" measure that will eventually end. But Mr. Wen repeated previous statements that reforms to the currency system will continue. While he didn't rule out the possibility that the yuan could rise against the dollar, he argued it doesn't need to.

Mr. Obama, in a speech last week about his goal to double U.S. exports over five years, urged China to move to a "market-oriented" exchange rate. The U.S. Department of the Treasury in April also must make its semiannual determination of whether to formally label China a "currency manipulator."

"I can understand that some countries want to increase their share of exports," Mr. Wen said, in an apparent reference to the Obama administration's goal. "What I don't understand is the practice of depreciating one's own currency and attempting to press other countries to appreciate their own currencies solely for the purpose of increasing one's own exports," Mr. Wen said. "This kind of practice I think is a kind of trade protectionism."

The U.S. dollar, which fell during much of last year, has gained against major currencies in recent months. Premier Wen has previously taken a similarly uncompromising line on the currency issue. In November, he disappointed European Union officials visiting China by rejecting as "unfair" their complaints about the Chinese currency while they maintained their own trade barriers. Earlier that month, Mr. Obama was rebuffed on the currency issue by Chinese leaders during his first visit to China.

Mr. Wen dodged a question about **Google** Inc.'s threat to leave China, taking issue with the questioner, who suggested the climate for foreign investors was deteriorating. However, the premier promised to spend more time reaching out to the foreign business community.

Mr. Wen defended his decision to send a relatively low-ranking official to a meeting on the sidelines of the Copenhagen talks that included Mr. Obama. At the time, U.S. officials said Mr. Wen had skipped the meeting as part of efforts to block progress towards a binding agreement.

He said that at a banquet hosted by the Danish queen on Dec. 17, he learned from an unnamed European leader of a meeting among a small group of countries later that night. "Why was China not notified of this meeting? So far no one has given us any explanation of this," he said.

His comments didn't directly address his own absence at a Dec. 18 morning meeting, which included Mr. Obama as well as U.K. Prime Minister Gordon Brown. Deputy Foreign Minister He Yafei took part as China's representative in that meeting, according to participants.

In a series of public comments in recent months, Mr. Wen has repeatedly rejected pressure from China's trading partners to alter exchange-rate policy. Their complaints have grown more vocal as the gap widens between China's strong recovery and the still-weak growth in most developed nations.

China is taking measures to promote imports and reduce its sizable trade surplus, Mr. Wen said. He played down China's new status as the world's largest merchandise exporter, noting 60% of its exports are produced by foreign companies that have invested in China.

—Ting-I Tsai and Sky Canaves contributed to this article.

GOOGLE VS. CHINA

Brin shaped Google's stand on China

Soviet-born co-founder witnessed consequences of censorship and serves as a guidance force to stop filtering search

By Ben Worthen

As a boy growing up in the Soviet Union, Sergey Brin witnessed the consequences of censorship. Now the **Google** Inc. co-founder is drawing on that experience in shaping the company's showdown with the Chinese government.

Mr. Brin has long been Google's moral compass on China-related issues, say people familiar with the matter. He expressed the greatest concern among decision makers, they say, about the compromises Google made when it launched its Chinese-language search engine, Google.cn, in 2006. He is now the guiding force behind Google's decision to stop filtering search results in China, say people familiar with the decision.

Google acknowledged that the call to stop filtering—which was announced in January and set off negotiations with Beijing—could lead to its withdrawal from the fast-growing market.

The move is the clearest manifestation yet of a tension that has always existed at Google.

The Internet company, on one hand, is analytical: It built its core search business on algorithms that determine the relevance of Web sites and has tried to apply quantitative analysis to traditionally subjective parts of a business, such as hiring decisions. On the other hand, Mr. Brin and co-founder Larry Page have passionately touted Google's ability to spread democracy through access to information, and adopted the unofficial and now-famous motto, "Don't Be Evil."

"At its best, Google is data-driven with an ethical trump card," said Larry Brilliant, who headed up the company's philanthropic efforts until 2009. Always it was the founders, Messrs. Brin and Page, who could play that card, he added.

Google declined to make Mr. Brin or any other executives available for an interview.

Mr. Brin was born in Moscow in 1973. He emigrated to the United States with his family in 1979, he has said, in part because of anti-Semitism there before the fall of the Soviet Union. He has said in past interviews that the move and its circumstances had a profound impact on his life.

Mr. Brin was asked about the compromises necessary to do business in China during a 2004 interview with Playboy magazine. "There are difficult questions, difficult challenges," he said. "One thing we know is that people can make better decisions with better information," he said, adding that he was aware of cases where finding information through Google's search engine had saved people's lives.

When Google launched its Chinese site, it agreed to filter out results that the Chinese government found objectionable, including some political speech and pornography. Mr. Brin wasn't completely comfortable with that decision and would sometimes say Google should never have agreed to Beijing's conditions, a person familiar with his thinking said. But his objections were never enough to reverse Google's policy.

"I actually feel like things really improved" in the first years after Google entered China, Mr. Brin said at a technology conference in February. "We were actually able to censor less and less, and our local competitors there also censored less and less." But following the 2008 Olympic Games in Beijing, he said, "there's been a lot more blocking going on."

Reuters

Co-founder Sergey Brin has been active in Google's dealings with China.

In December, Google detected cyber attacks that it traced to computers in China. It said some of its intellectual property was stolen, adding that it had evidence that attackers were trying to access the accounts of Chinese human-rights activists on Gmail, Google's email service.

Chinese-language engine will likely be shut

Continued from first page

doing so would be "irresponsible" and warned that the company would "have to bear the consequences" if it violates China's rules.

His comments reinforced expectations that the authorities will force Google.cn to close if the company stops censoring it.

Google has about 36% of China's search revenue, according to Analysys International, a Beijing-based research firm, compared to 58% for local rival **Baidu** Inc. The U.S. company is one of the few foreign participants with significant market share. A combination of strict government regulation, intense competition from Chinese companies, and ineptitude on the part of the foreign companies themselves has meant that foreign Internet companies have either struggled to make inroads in China or never entered the market to begin with.

Google's closure of Google.cn would leave the Internet in China—which has about 400 million users, more than any other country, and is adding about 250,000 more each day—almost entirely dominated by local companies.

That helps the Chinese government's efforts to control information, because it can more easily control local companies, but it means foreign participation in one of the fastest-growing parts of China's economy will be limited, and it leaves Chinese users increasingly isolated.

Xiao Qiang, director of the China Internet Project at the University of California at Berkeley, says the closure of Google.cn could be seen as the beginning of a "Chinternet" that is increasingly distinct from the global Internet.

"The danger for the Chinese Internet scene is that it becomes a less competitive place" without Google's participation, says Jeremy Goldkorn, founder of **Danwei.org**, a Web site about the media and the Internet in China. Google has spurred competition in China by doing things differently from local rivals, like notifying users when search results were being censored, he says.

A Google departure from the Chinese market would also send a message to other foreign companies that China is "a very tough environment to run a business," Mr. Goldkorn says. "If Google leaves it's going to be something that any foreign company that considers opening up shop here will consider very seriously."

A tiny handful of other foreign-owned Internet companies have attained meaningful shares of markets in China, though none as large as Google's. **Amazon.com** Inc.'s Chinese unit had 8% of the online business-to-consumer retail market in the fourth quarter, according to Analysys International. ELong Inc., a unit of **Expedia** Inc., had about 10% of China's online travel-booking market in the second quarter of last year. **Microsoft** Corp.'s MSN Messenger, which is run in China through a joint venture, has 4% of instant messaging users, compared to 77% for the QQ service from China's **Tencent Holdings** Ltd.

In part, the small role of foreigners is the result of competition from Chinese Internet companies that are often more adept at adapting products and services to Chinese tastes. **EBay** Inc. withdrew from the China market in 2006 after steadily losing market share to rival auction site Taobao.com, a unit of **Alibaba Group**, which gained popularity in part by offering its service free.

Yahoo Inc., one of the first foreign Internet companies to enter China, in 1999, handed over its China operations and $1 billion to Alibaba Group in 2005, after years of struggling in China, in exchange for a roughly 40% stake in the Chinese company.

But China's strict regulation also plays a role. The government bars foreign companies from directly owning Internet content licenses, for example, requiring them to use local partners. Complying with Chinese censorship is complicated and politically risky, exposing companies to criticism from rights advocates back home.

Some companies have decided not to enter the market at all: **Facebook** representatives came to China more than two years ago to assess the possibility of entering the market, according to people familiar with the situation. But the company never established a Chinese site and today, its international Web site is blocked in China.

Facebook rival MySpace, a unit of **News Corp.**, which also owns The Wall Street Journal, has a stake in a Chinese version called MySpace China, but it lags behind Chinese rival **Renren.com** and others.

John Palfrey, a professor at Harvard Law School who studies the Internet, says Google's China situation has broader relevance for how other technology companies manage their overseas operations.

"I think the Chinese market is the litmus test for that. Because it is the largest Internet market in the world, it is impossible for a large technology company to ignore," Mr. Palfrey says. "The outcome of this dispute is going to be enormously important for information technology companies elsewhere in the world operating in China."

Google, in its Jan. 12 announcement on China, cited Beijing's tightening limits on expression and a series of cyber attacks on it and other foreign companies as reasons for its decision to stop filtering Google.cn. Part of its negotiations with Chinese authorities is to determine whether that move would affect its other businesses in China, which include selling advertisements on other Chinese Web sites through its AdSense service, as well as selling ads for its international Web site.

If the government forces Google.cn to close, as expected, Google could still offer Chinese-language search to Chinese users from offshore, as it did for several years before it started Google.cn in 2006. Users could also theoretically continue to use other Google services, such as Gmail, that are based outside China.

The government would have the ability to block access to those sites within China, but most analysts say Beijing wouldn't go that far because it would risk infuriating millions of users. But the government could make those sites less appealing by slowing or disrupting access intermittently, or it could block certain Google services selectively.

Already, before Google's January announcement, authorities were blocking its YouTube and Blogger sites.

In some cases, the government's interference with foreign Web sites creates clear advantages for local rivals. English-language Wikipedia, for example, a user-generated encyclopedia, has been blocked on and off for several years in China, while the Chinese version has been blocked almost entirely. As a result, Chinese Wikipedia has just 300,000 articles, compared with about 3.2 million articles on the English version. Meanwhile, Baidu's China-based user-generated encyclopedia, which it launched in 2006, has 2.1 million articles.

—Geoffrey A. Fowler and Jessica E. Vascellaro contributed to this article.

A Chinese Internet

Google is one of a tiny number of foreign players in China's Internet. Market share in selected sectors:

Company's country of ownership: ■ Chinese ■ Foreign

Internet search, As of 4Q 2009		Online travel, 2Q 2009		Instant messaging, 4Q 2009		Business-to-consumer retail, 4Q 2009		Consumer-to-consumer retail, 4Q 2009	
Baidu	61%	Ctrip	52%	Tencent QQ	77%	360buy	19%	Taobao	87%
Google	32	ELong	10	Ali Wangwang	8	Amazon.cn	8	Paipai	10
Yahoo China*	3	Mangocity	10	Fetion	6	Dangdang	8	Eachnet	3

*Yahoo China is owned by Alibaba Group, in which Yahoo owns a 39% stake.

Source: Analysys International

ON OTHER FRONTS

This revolt is brought to you by ASTV

In Thailand, one political group sells a line of toothpaste and other products to finance the 'yellow family'

By James Hookway
Phanom Sarakham, Thailand

The Philippines had People Power, the Czech Republic had its Velvet Revolution and Ukraine was swept up in an Orange revolt. Thailand has what might be termed the Toothpaste Brigade.

Just over a year ago, thousands of protesters pulled on yellow T-shirts and bandannas and took over Thailand's airports, stranding tens of thousands of tourists and forcing an unpopular government to quit.

Now they are trying to bankroll their still-unfinished bid for power by selling as much toothpaste, fish sauce, toilet paper and foot powder as they can, just as a rival group of red-wearing demonstrators—most definitely not to be confused with the yellow crowd—gathers tens of thousands of people in Bangkok in their own antigovernment protest.

Prajint Vishiramala is one of the yellow movement's biggest success stories after he cooked up a hit toothpaste recipe. The 65-year-old pharmacist sells more than 20,000 large tubes a month at 150 baht or about $4.50 each and hands over two-thirds of his profit to a partisan satellite television station called ASTV that is controlled by the yellow-shirts' top leader and which tirelessly champions their cause.

One recent afternoon in this dusty town a couple of hours northeast of Bangkok, Mr. Prajint, a bulky man with a gray mustache, was sizing up his latest project—reverse-engineering a batch of Listerine mouthwash he bought at a supermarket.

"For sure it could be a big seller for us, but it takes a long time to figure out how to make it," he says.

Other protesters and small-business owners are trying to develop products to sell under the ASTV name or in branding ventures. Tens of thousands of viewers are buying and selling rice, fertilizer, phone cards, alarm clocks and insurance policies with the ASTV logo. In the process, they are creating a grassroots direct-marketing challenge to the way things are done in a country where the army and powerful bureaucrats call the shots.

Sondhi Limthongkul is the 62-year-old media mogul who formed the yellow-clad royalist group, which calls itself the People's Alliance for Democracy, or PAD. He is eyeing a formal political role as head of its New Politics Party. He reckons the movement and its privately held TV station would have to struggle for survival without its entrepreneurial support base.

His son, Jittanart Limthongkul, who oversees the marketing push at ASTV, won't say how much has been raised so far. But he is blunt about the station's dependence on people like Mr. Prajint. "We rely on these guys to keep us in business now," he says.

Born to Chinese immigrants who fled the Communists, Mr. Sondhi has emerged as one of Thailand's most influential politicians. Thais alarmed by rapid modernization under former premier and telecommunications billionaire Thaksin Shinawatra have flocked to his banner. Their street protests paved the way for a military coup in 2006 that toppled Mr. Thaksin.

James Hookway/The Wall Street Journal

Prajint Vishiramala came up a hit toothpaste recipe for the ASTV channel.

In 2008, Mr. Sondhi's supporters occupied the main government complex in Bangkok for 99 days.

An Oxford-educated economist named Abhisit Vejjajiva was eventually appointed Prime Minister by Parliament, but Mr. Sondhi kept trying to bring a new government to power that is more in tune with his royalist, conservative philosophy. Assassins nearly killed Mr. Sondhi last year in an attack on his car as he drove to work; a bullet grazed his forehead.

Many of Mr. Thaksin's supporters are angered by Mr. Sondhi's methods. Nattawut Saikeua, a core leader of the red-shirt protest planned for this weekend, says Mr. Sondhi exaggerates and demonizes his opponents. Mr. Thaksin previously described some of Mr. Sondhi's allegations as "insane."

That hasn't stopped them from trying to repeat ASTV's success. Mr. Thaksin's supporters last year formed their own satellite-based People's Channel to push the former premier's agenda. The broadcasts were instrumental in drawing over 100,000 people from all over the country to Bangkok at the weekend to press their demand for new elections at a series of ongoing antigovernment protests.

So far, though, Mr. Thaksin's backers haven't amassed the kind of business-savvy support that's helping to keep Mr. Sondhi's ASTV going.

Mr. Thaksin, while still wealthy, meanwhile took a blow to the wallet when Thailand's Supreme Court confiscated $1.4 billion of his family fortune for allegedly using the prime minister's post to benefit his companies. But for Mr. Prajint, the aspiring toothpaste baron, joining up with ASTV is about good business, as well as good politics.

"I have a good product which I couldn't sell, while ASTV is able to sell but doesn't have a product," he says.

In the future, Mr. Prajint says he hopes to branch out on his own and re-launch his toothpaste under his brand alone, Green-7. "People are buying the toothpaste because of the politics at first. But then they realize that my toothpaste is good. It keeps your teeth clean, and also prevents you from drooling in your sleep so you don't waste money buying new pillows," he says.

The TV channel offered Mr. Prajint a bigger share of the profit on his toothpaste sales to acknowledge his contribution to the success; he has invested nearly three million baht, or $91,000, buying a new Chinese-made toothpaste-mixing machine and expanding his farmhouse-factory. He turned them down. "I said 'No way.' We've got to support the yellow family," Mr. Prajint says.
—Wilawan Watcharasakwet contributed to this article.

WSJ.com

Online today: Get a closer look at some of the products being sold under the ASTV brand at **WSJ.com/World**

FROM PAGE ONE

Yen's persistent strength frustrates Japan's leaders

Continued from first page

ing bets against the yen.

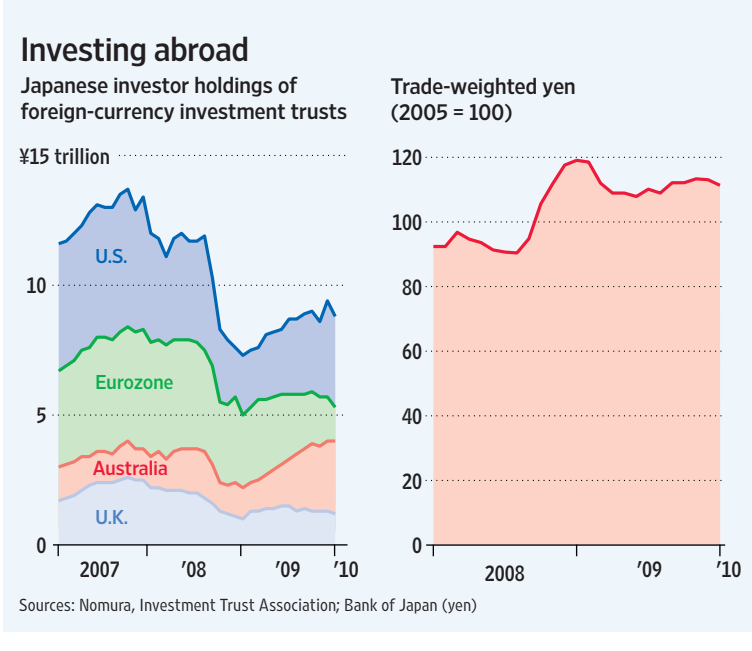
Explanations for the yen's strength are varied. The difference between interest rates in Japan and abroad have been small, giving little incentive for investors to convert yen into other currencies. A strong Japanese trade surplus creates demand for yen to even out the nation's balance of payments.

In addition, foreign investors have converted dollars into yen to buy Japanese shares in recent months. A tax law is encouraging corporations to bring money home from abroad. Nomura estimates companies will repatriate 500 billion yen ($5.53 billion) in excess overseas capital in March.

The latest hope for yen weakening comes from reports that the Bank of Japan will increase the money supply through additional quantitative easing at its meeting this week. Mr. Hatoyama's government has been encouraging the central bank to be more aggressive to fight deflation.

But markets seem to be shrugging off the expected moves, which have been telegraphed in the news media.

"I suspect that it's in the price," says Julian Jessop, economist at Capital Economics in London.



Sources: Nomura, Investment Trust Association; Bank of Japan (yen)

Leon Goldfeld, chief investment officer for HSBC Asset Management in Hong Kong, had been cautiously bullish about Japan in January. But he now thinks the government has lost its nerve to weaken the yen.

"The confidence I had in the Japanese to change their direction, especially the BOJ on quantitative easing or intervening on the yen, has waned," he says.

Another factor that some say could cause modest yen declines is the return of the yen carry-trade. The investment strategy involves borrowing Japanese yen to invest into higher-yielding currencies. Interest rates are creeping up in Australia, and expectations for rate hikes in the U.S. have increased.

A symbolic measure of funding interest rates, the three-month London interbank offered rate, or Libor, recently went in the yen's favor for the first time in several months, implying it might be cheaper to fund carry-trades in yen than in dollars.

At its height in the middle of last decade, the yen carry-trade was taken up by hedge funds around the world, along with Japanese retail investors. The trade drove the dollar to 123 yen in 2007.

But the financial crisis forced investors to unwind the trade when they needed the money back home. The dollar weakened to below 90 yen by January 2009, and hit a 14-year low in November at 85 yen. With interest rates near zero, the U.S. dollar became the cheapest funding currency.

Skeptics of the return of the yen-carry theory abound. Even if Japan's interest rates stay lower than thsoe of the U.S., Japan's roughly 2% deflation rate means the real interest rate that investors pay to borrow yen is actually higher. Brown Brothers Harriman analyst Marc Chandler calculates that after adjusting for inflation, Japanese borrowing rates are 1.5 percentage points higher than those in the U.S.

And there are other prospects for funding currencies. "If you want to do the carry trade, the euro is more interesting," says Mr. Gave.

While hedge funds may shy away from the yen carry, there are signs local Japanese investors could be dipping back in.

Holdings in foreign-currency trusts by retail investors are up 31% from their January 2009 lows. The amount invested in the Australian dollar is back to its precrisis peak of four trillion yen.

But the biggest markets for overseas currency trades by Japanese had been U.S. dollars, the euro and sterling, where interest rates are all well below their peaks.

Even if interest rates in those currencies edge up, it will take a while for the difference to be attractive to investors. The last time the carry-trade was popular, the rate differential was 3.5 percentage points, according to J.P. Morgan Chase economists.

Kazumi Fujimura, a 34-year old system engineer in Tokyo, thinks currencies are too volatile and interest rates too low to return to the long-term strategy he preferred before the crisis.

Fiscal problems in Europe have also tempered him.

"I'm concerned the European problems could lead to broader chaos in markets," he says.

Agence France-Presse/Getty Images

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Cnooc buys Argentina energy stake

Chinese oil major pays $3.1 billion to form Latin America joint venture with Bridas in bid to acquire resources

By Yvonne Lee And Nisha Gopalan

HONG KONG—Chinese state-owned oil company **Cnooc** Ltd. said Sunday it is paying $3.1 billion for a 50% stake in a unit of Argentina's **Bridas Energy Holdings** Ltd. to form a joint venture in a move to boost its production and reserves.

The deal highlights China's growing thirst for energy resources globally. The Chinese government is encouraging state-owned energy companies to purchase assets abroad to power the country's booming economy.

The deal is structured as an oil and gas production joint venture in which the Beijing-based oil company's unit, Cnooc International Ltd., and Bridas Energy Holdings will each hold a 50% stake in Bridas Corp., which has exploration and production activities in Argentina, Bolivia and Chile, mostly through its 40% interest in **Pan American Energy** LLC.

The other 60% of Pan American Energy, most of whose assets are in Argentina, is held by **BP** PLC, Cnooc said.

Bridas Corp. is currently 100% owned by Bridas Energy, a holding company owned by the family of Argentine magnate Carlos Bulgheroni.

As of the end of last year, the assets of Bridas Corp. included proven reserves of 636 million barrels of oil equivalent and an average daily output of 92,000 barrels of oil equivalent. Bridas Corp.'s name might be changed once the transaction is completed,

Cnooc said it will fund the investment through internal resources and expects the deal to be completed in the first half of this year.

Upon completion of the transaction, Cnooc's proven reserves will increase by 318 million barrels of oil equivalent and its average daily production will rise by 46,000, according to Cnooc.

"This joint venture is aligned with our philosophy of seeking partnerships to expand our global footprint," Chairman Fu Chengyu said in a statement.

Cnooc said in a presentation Sunday that one attraction of the agreement was the prospect of boosting the recovery rates of some of the fields using proven technologies.

The plan with Bridas is the latest in a string of international expansion moves by Cnooc recently, including elsewhere in Latin America.

In December, Cnooc initialed a pact in Caracas to develop the Boy-

Please turn to next page

Imaginechina via Associated Press

Above, a CNOOC rig operates on the Bohai Sea in China.

Citic Pacific steps up with corporate governance

[The View From Hong Kong]

By Jonathan Cheng

A near-death experience that led to an executive housecleaning at one of Hong Kong's top companies appears to be aiding an otherwise troubled cause here: corporate disclosure.

Last week, **Citic Pacific** Ltd., whose impeccable China connections helped give rise to the term "red chip," issued a pair of standard regulatory filings that were remarkable for their openness.

The first, a "voluntary announcement," acknowledged rumors about a possible transaction in mainland China, promising further disclosures pending any future developments. The second, the company's annual report, featured a chairman's statement that one local commentator said more closely resembled a "letter from home" than a corporate report.

Adding to the open atmosphere, the company's chairman skipped a prepared presentation at an earnings news conference last week to take more questions from reporters, saying the company wanted to put itself "at the forefront of corporate governance."

For years, Hong Kong financial regulators have been pushing for rules that would force companies to disclose more information, in a more timely fashion, to investors. That includes mandatory quarterly reporting—listed companies now have to report earnings only twice a year—and a ban on share trading by company insiders ahead of results announcements.

Many in the business community here have stubbornly resisted those efforts.

So it is notable when a top player on the corporate scene chooses, instead, to embrace better disclosure. Of course, Citic Pacific wasn't always so forthcoming.

In the autumn of 2008, the company belatedly revealed that a bad bet on the Australian dollar involving derivatives would cost it as much as US$2 billion. Shareholders dumped the stock, wiping out two-thirds of the company's market capitalization in two days of trading. Hong Kong police and securities regulators began an investigation into the company's affairs, and the company's well-connected chairman and managing director were ousted and replaced with bureaucrats from **Citic Group**, the business's Beijing-controlled parent.

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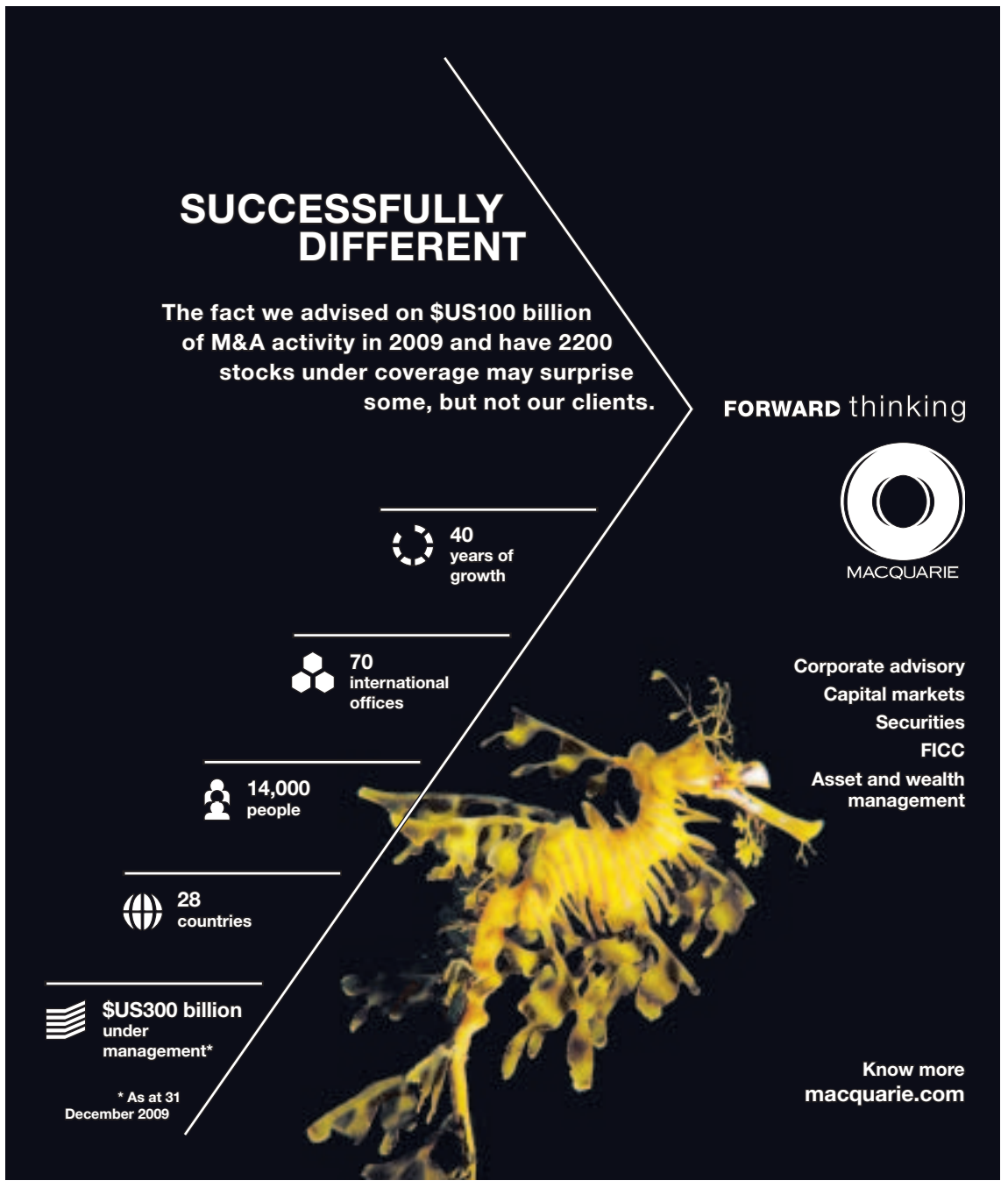

Venture eyes undeveloped sports in India

IMG Worldwide, Reliance Industries seek to promote professional soccer, basketball leagues in the country

By Peter Lattman And Matthew Futterman

Sports-marketing giant **IMG Worldwide** and Indian conglomerate **Reliance Industries** Ltd. have set up a joint venture to build a professional-sports business in India, a deal that seeks to unlock the country's vast but undeveloped sports market.

The venture, expected to be announced Sunday in Mumbai, will look to develop professional soccer and basketball leagues in India, as well as nurture athletic talent by building sports academies throughout the country. The deal is the brainchild of a pair of colorful billionaires, IMG owner Ted Forstmann and Reliance Chairman Mukesh Ambani.

While India has one of the world's fastest-growing economies and houses some of the most prestigious universities, its athletic prowess is underwhelming. Among large countries, India has perhaps the worst international sports records.

Since the inception of the modern Olympic Games in 1896, India has won just 20 medals, 11 of them in field hockey. (China, by comparison, won 100 medals at the Summer Olympics in 2008 alone; it won 28 in 1988.) India's men's soccer team is currently ranked 132nd on FIFA's world ranking list, out of 207 countries.

"If it works out the way we expect, this agreement will be transformational to IMG and beneficial to the people of India," Mr. Forstmann said in an interview. A spokesman for Reliance declined to comment.

Industry experts see the Indian population as ripe for development in athletics. It has little in the way of a professional-sports infrastructure, and nothing that approaches the professional level of basketball or soccer leagues that exist in other countries. In an interview with The Wall Street Journal last year, Vijay Armritraj, an Indian tennis champion during the 1970s, said that Indians are at a disadvantage due to their typically small, slight builds. He also said the culture places a higher value on education than it does on sports.

Getty Images

Sports marketer IMG Worldwide and conglomerate Reliance Industries hope to take Indian sports beyond cricket. Here, cricketer Herschelle Gibbs plays Friday in the Indian Premier League.

"People always ask why there aren't more great athletes coming out of India," Mr. Armritraj said. "My answer is, you don't see a lot of great software engineers coming out of Spain."

Mr. Forstmann, a Wall Street deal maker who helped pioneer the private-equity business, acquired IMG in 2004. The closely held company is one of the world's largest producers and distributors of sports, managing thousands of events, from tennis's Wimbledon to New York's Fashion Week. It also manages the careers of many athletes, including golfer Tiger Woods and tennis player Roger Federer.

The push into India comes on the heels of IMG's expansion into China. In 2008, IMG struck an exclusive 20-year deal with China's national television broadcaster that gave it the right to develop and market new sports events there. The India deal pairs IMG with Reliance, India's largest private-sector company by market value.

The real potential profits from the venture will come from the development of professional-sports leagues. The IMG-Reliance venture will look to strike arrangements with India's soccer and basketball federations to help build these leagues. Mr. Forstmann said the venture's ambitions are to create something akin to England's Premier League, for which IMG produces and distributes television programming.

"People might laugh at that now, but let's see where we are in five years," said Mr. Forstmann, who said he became fast friends with Mr. Ambani after meeting him five years ago at a conference Mr. Forstmann hosts each year in Aspen, Colo.

IMG already has played a major role in one of India's major sports success stories—the development and operation of the Indian Premier League cricket venture, a wildly popular form of one of the world's most popular games. On Friday, Mr. Forstmann attended the opening match of the league's third season in Mumbai.

Developing athletic talent is a key component of the venture. IMG operates the IMG Academies in Bradenton, Fla., which educates and trains some of the best young athletes in the world in golf, tennis, baseball, soccer and basketball. That model will now be taken to India.

As it does in Florida, IMG will make scholarships available to promising athletes. Such investments can provide a windfall for IMG, which gains an inside track on representing the athletes at its academies.

Chinese agency investigates H-P

By Loretta Chao

BEIJING—China's product-quality agency said it is investigating complaints from a small number of Chinese consumers about **Hewlett-Packard** Co.'s handling of flaws in some of its personal computers.

The investigation, announced Sunday in a notice on the Web site of China's General Administration of Quality Supervision, appears to be a response to a complaint filed by a group of Chinese consumers earlier this month. The consumers said H-P discriminated against them in its handling of a problem with faulty graphics components in some of its laptop PCs by not offering them the same warranty extension given to customers in the U.S. They requested compensation, a public apology by H-P and a recall of the affected computers.

H-P couldn't immediately be reached for comment Sunday.

An H-P spokeswoman last week denied the consumers' claims, saying they may have resulted from confusion over the terms of the enhanced-service program offered to customers world-wide whose warranties only lasted a year. She said H-P doesn't plan any recall of the affected PCs in China.

The complaint sent to the General Administration of Quality Supervision, Inspection and Quarantine earlier this month said it was on behalf of more than 170 consumers. The agency's notice Sunday referred to a group of just 60 users.

Cnooc forges joint venture

Continued from previous page

aca 3 oil block in the Orinoco belt, a large heavy-crude basin in Eastern Venezuela.

More recently, on March 10, came news that Cnooc and French oil major **Total** SA are each expected to acquire a third of **Tullow Oil** PLC's oil assets in Uganda.

Meanwhile the Baghdad government said Cnooc had signed an initial deal to develop the 2.5 billion-barrel Missan oil field complex in southern Iraq, along with Chinese partner, **Sinochem International** Corp.

Cnooc, a unit of **China National Offshore Oil** Corp., China's third-largest oil company by assets, said previously it is targeting production of 275 million to 290 million barrels of oil equivalent this year, up from 226 million to 228 million barrels in 2009.

Cnooc has said it wants to increase its oil and gas output at a compound annual rate of 6%-10% between 2011 and 2015.

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Corrections & Amplifications

Banks in China lent a total of 9.69 trillion yuan ($1.42 trillion) in 2009, and the government has set a target for 7.5 trillion yuan in new loans this year. A Business & Finance article in the Friday-Sunday edition incorrectly said the amounts were in billions of yuan.

Li envoys head to Beijing for land talks

Tycoon's companies face ban on property deals in capital city amid nationwide crackdown on land hoarding

By Jonathan Cheng

HONG KONG—Executives who work with tycoon Richard Li have been sent to Beijing to find out more about why municipal authorities there declared that Mr. Li's companies would be banned from dealing in the city's land market.

Mr. Li's **Pacific Century Premium Developments** Ltd., listed in Hong Kong, was among several companies singled out for apparent land-hoarding in a statement last week by the Beijing Municipal Bureau of Land and Resources. However, PCPD was the only company barred from making further transactions in Beijing.

At the center of the issue is a parcel of land not far from Beijing Workers' Stadium in the capital city's Chaoyang district. According to the land bureau's statement, a subsidiary of PCPD started construction work on the site last August, but missed a contractual deadline and failed to apply for an extension. As a consequence, the bureau said it would fine the company and temporarily block PCPD and its affiliated companies from any transactions in Beijing's land market.

A spokesman for Mr. Li's companies said that they had dispatched officials to meet with Beijing officials in hopes of getting more information from the bureau, and declined to comment further.

Agence France-Presse/EPN

Richard Li's group owns one property in mainland China, Beijing's Pacific Century Place. Above, the Pacific Century Tower.

According to a filing with the Hong Kong stock exchange last August, PCPD agreed to sell the parcel of land to **Shui On Construction and Materials** Ltd., controlled by property developer Vincent Lo, for US$118 million. The transaction was completed in October, PCPD said. Shui On "immediately commenced construction works after the handover" of the property, the company said in a prepared statement, with completion slated for 2011.

Mr. Li's Pacific Century group of companies currently owns one property in mainland China, Beijing's Pacific Century Place.

PCPD shares fell 1.7% to 2.84 Hong Kong dollars (37 U.S. cents), off five Hong Kong cents, Friday.

The move by Beijing authorities, which also named a subsidiary of state-owned **China Resources Land** Ltd., is part of a nationwide crackdown on land-hoarding and land left idle by property developers. Mainland policy makers are concerned about the possibility of a housing bubble that could arrest the country's economic recovery.

China's Ministry of Land and Resources passed a law last year that punished developers who purchased land and sat on it, apparently waiting for market conditions to improve before developing and marketing the land. Policy makers are concerned about the practice because it depresses supply when prices are low, creating upward pressure on prices.

Last week's statement by Beijing municipal authorities included a vow to crack down on idle land, in a bid to strengthen monitoring of the city's land supply and usage.

According to **Standard Chartered Bank**, land prices doubled on average across China last year. Developers and state-owned enterprises, flush with cash amid a boom in lending, piled into the land auction market, setting new highs. In the case of China Resources Land and two other smaller companies named in the statement, Beijing municipal authorities gave them until the end of this month to start construction work or face fines and a restriction on further dealings in the city's land market.

The Beijing authorities' move follows past frictions between mainland Chinese officials and Mr. Li, the son of Hong Kong's richest man, Li Ka-shing. In 2005, the younger Mr. Li sold a 20% stake in Hong Kong fixed-line operator **PCCW** Ltd. to state-run **China Network Communications Group** Corp., or China Netcom. The next year, he tried to sell PCCW's core assets to U.S. buyout firm TPG and Australia's **Macquarie Group** Ltd. China Netcom, now owned by **China Unicom** Ltd., objected to the plan to sell strategic Hong Kong assets to foreigners, and the deal was scotched.

—Sue Feng in Beijing contributed to this article.

Nigeria to review Nitel bidding

By Will Connors

ABUJA, Nigeria—The Nigerian government said Friday it will review the potential $2.5 billion sale of the country's telecoms giant, following last month's troubled auction in which one of the top bidders, **China Unicom** Ltd., initially denied taking part.

In a meeting of the National Council on Privatization, chaired by Acting President Goodluck Jonathan, the Nigerian government said it had set up a committee of senior officials to do "further due diligence on the prospective investors" for **Nigerian Telecommunications** Ltd., known as Nitel.

The ad-hoc committee that will probe the bidding process includes the Nigerian attorney general and minister of finance, among other senior officials, according to a statement from the privatization body.

The highest current bid for Nitel is from a group called the New Generation Telecommunications Consortium. The consortium includes the European arm of China Unicom and the **Minerva Group**, a Dubai-based company that is providing the financing for the bid.

China Unicom (Hong Kong) Ltd. originally denied any involvement in last month's bid, saying at the time it had "not commenced any negotiations with the relevant parties."

The Chinese company later acknowledged that its European subsidiary, China Unicom (Europe) Operations Ltd., had expressed interest in a technical partnership and in the possibility of acquiring a 20% equity stake if the bid was approved.

Executives at Minerva Group didn't respond to requests for comment.

Agence France-Presse/Getty Images

Nigeria's government, led by Goodluck Jonathan, will review Nitel bids.

The company's listed location in Abuja, Nigeria's capital, is a one-room office in a dilapidated building. A secretary who answered the door said Minerva employees rarely make appearances in the office and that the only Minerva employee in the country was a man the secretary knew simply as "Chief."

The problematic privatization of Nitel offers yet another political challenge for Nigeria's acting president, Mr. Jonathan. As vice president, Mr. Jonathan has assumed duties of an ailing president, Umaru Yar'Adua, who hasn't been seen in more than three months.

During his time in the top office, Mr. Jonathan has been dealing with militant attacks on fuel pipelines, religious killings and political infighting.

Earlier last week, Mr. Jonathan suspended the director of the Bureau for Public Enterprises, in an apparent rebuke of the government arm directly overseeing the sale of Nitel.

A senior government official conceded that the privatization agency hadn't done proper due diligence on the winning bidders.

The New Generation bid was $1.5 billion higher than the next-closest bid, a large enough margin to raise eyebrows among telecommunications analysts.

AllianceBernstein is pleased
to announce the following promotions
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Alexander Chaloff
Gershon Distenfeld
Michelle Dunstan
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CORPORATE NEWS

Lenovo hunts for potential acquisitions

By Aaron Back

BEIJING—Chinese computer maker **Lenovo Group** Ltd. is looking for acquisition opportunities in China's mobile Internet sector, the global consumer computer market and developing regions.

Chief Executive Yang Yuanqing said during an interview Friday that the emerging markets Lenovo is considering include Russia, India, Southeast Asia, Eastern Europe and Latin America.

Lenovo last year implemented a two-pronged strategy that Mr. Yang described Friday as aiming to protect the company's leadership in China and the global enterprise-computing market, while "attacking" potential growth areas such as developing regions and the personal-computer market.

This year, Lenovo added China's mobile Internet sector to the list of markets that the company considers ripe for "attack," Mr. Yang said.

"Any acquisition that fits with this strategy, we will be interested," said Mr. Yang, who was attending meetings on the sidelines of the National People's Congress.

However, he said the company doesn't currently have specific acquisition targets in mind.

Mr. Yang said Lenovo's emerging-markets strategy is already showing results. The company's market share in Russia, for instance, rose from 2%-3% in previous years to 6% this year. Mr. Yang added that expects further growth in Russia.

Lenovo's goal is to have double-digit market share in the company's target developing markets within one to two years, he said.

Mr. Yang expects Lenovo's China sales to increase during the near term, eventually accounting for more than half of the company's total sales amid a recovery in the domestic economy. Sales in China accounted for 47% of Lenovo's total sales in the company's fiscal third quarter ended Dec. 31.

However, Mr. Yang still expects international sales to account for the majority of Lenovo's total sales in two to three years.

In January, Lenovo reacquired mobile handset maker **Lenovo Mobile Communication Technology** Ltd. for $200 million in cash and shares.

The company had sold the unprofitable business in March 2008 for $100 million to a group of investors led by the private-equity arm of its parent, Legend Holdings.

The company plans to launch a smart phone using **Google** Inc.'s Android operating system in May.

Reuters

Lenovo CEO Yang Yuanqing

Legal Notices

BANKRUPTCIES

Legal Notice

IN THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE

In re	Chapter 11
CAPMARK FINANCIAL GROUP INC., *et al.*, Debtors.	Case No. 09-13684 (CSS) Jointly Administered

NOTICE OF DEADLINE FOR FILING OF PROOFS OF CLAIM

TO ALL PERSONS AND ENTITIES WITH CLAIMS AGAINST THE ENTITIES LISTED ON EXHIBIT 1:

PLEASE TAKE NOTICE THAT on February 19, 2010, the United States Bankruptcy Court for the District of Delaware (the "Court"), having jurisdiction over the chapter 11 cases of Capmark Financial Group Inc. ("CFGI") and certain of its subsidiaries and affiliates (collectively, the "Debtors"),[1] entered an order (the "Bar Date Order") establishing (a) **April 23, 2010 at 5:00 p.m. (prevailing Eastern Time)** as the deadline by which each person or entity (including individuals, partnerships, corporations, joint ventures, and trusts), other than governmental units, must file proofs of claim (each, a "Proof of Claim" based on prepetition claims against the Debtors (the "General Bar Date"), and (b) the later of **April 23, 2010 at 5:00 p.m. (prevailing Eastern Time)** and the date that is 180 days after the Applicable Commencement Date (as defined below) as the deadline by which any governmental unit (as such term is defined in section 101(27) of chapter 11 of title 11 of the United States Code (the "Bankruptcy Code")) must file Proofs of Claim against the Debtors (the "Government Bar Date," and together with the General Bar Date, the Rejection Bar Date, and the Supplemental Bar Date (each as defined below), the "Bar Dates"). The Bar Date Order, the Bar Dates, as applicable, and the procedures set forth below for the filing of Proofs of Claim, apply to all claims against the Debtors (other than those set forth below as being specifically excluded) that arose prior to the applicable commencement date (the "Applicable Commencement Date"), on which each of the Debtors commenced chapter 11 cases under the Bankruptcy Code (as listed on Exhibit 1, attached hereto).

The Capmark Hotline may be contacted at 646-282-2400 if there are questions with respect to this Notice. The Capmark Hotline is not permitted to provide legal advice to claimants. Unsecured creditors may also use the website of the Official Committee of Unsecured Creditors (the "Committee") available at http://capmarkcommittee.com/ for answers to frequently asked questions and to contact Committee counsel.

A CLAIMANT SHOULD CONSULT AN ATTORNEY IF THE CLAIMANT HAS ANY QUESTIONS, INCLUDING WHETHER SUCH CLAIMANT SHOULD FILE A PROOF OF CLAIM.

1. WHO MUST FILE A PROOF OF CLAIM

You **MUST** file a Proof of Claim to share in the Debtors' estates if you have a claim that arose prior to the Applicable Commencement Date and it is not one of the other types of claims described in section 2 below. Acts or omissions of the Debtors that arose before the Applicable Commencement Date may give rise to claims against the Debtors that must be filed by the applicable Bar Date, notwithstanding that such claims may not have matured or become fixed or liquidated prior to the Applicable Commencement Date.

Under section 101(5) of the Bankruptcy Code and as used herein, the word "claim" means: (a) a right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured; or (b) a right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgement, fixed, contingent, matured, unmatured, disputed, undisputed, secured, or unsecured.

2. WHO NEED NOT FILE A PROOF OF CLAIM

You need not file a Proof of Claim if:

(a) your claim is listed on the schedules of assets and liabilities filed by a Debtor (the "Schedules") and (i) your claim is **not** described therein as "disputed," "contingent," or "unliquidated," and (ii) you do **not** dispute the amount or nature of the claim as set forth in the Schedules;
(b) your claim has been paid in full by the Debtors;
(c) you hold an interest in any of the Debtors, which interest is based exclusively upon the ownership of common stock, preferred stock, membership interests, partnership interests, or rights to purchase, sell, or subscribe to such an interest; *provided, however*, that if you are an interest holder and wish to assert claims (as opposed to ownership interests) against any of the Debtors that arise out of or relate to the ownership or purchase of an interest, including claims arising out of or relating to the sale, issuance, or distribution of the interest, you must file Proofs of Claim on or before the applicable Bar Date unless another exception identified herein applies;[2]
(d) you hold a claim that has been allowed by an order of the Court entered on or before the applicable Bar Date;
(e) you hold a claim for which a separate deadline is fixed by this Court;
(f) you hold an administrative expense claim against the Debtors pursuant to section 503(b) of the Bankruptcy Code;
(g) you are a current or former officer or director of the Debtors who assert claims for indemnification and/or contribution arising as a result of such officers' or directors' prepetition or postpetition services to the Debtors;
(h) you hold a claim against the Debtors properly filed **previously** with the Clerk of the Court or with Epiq (utilizing a claim form that substantially conforms to the Proof of Claim Form);
(i) you are a Debtor and hold a claim against another Debtor;
(j) you are any non-debtor subsidiary or affiliate of any Debtor holding a claim against a Debtor;
(k) you are a current employee asserting a claim to the extent that an order of this Court previously authorized the Debtors to honor such claim in the ordinary course as a wage or benefit; *provided, however*, that if you are a current employee you must submit a Proof of Claim by the General Bar Date if your claim relates to damages arising from claims for wrongful termination, discrimination, and/or workers' compensation insurance; and
(l) you are a holder of a claim that is limited exclusively to the repayment of the Secured Bank Debt, Unsecured Bank Debt, or the Note Obligations (each, a "Debt Claim") to the extent the Secured Bank Debt Administrative Agent, the Bridge Loan Administrative Agent, the Unsecured Senior Credit Facility Administrative Agent, or Indenture Trustees, as applicable, timely filed a master Proof of Claim on behalf of all holders of such claims; *provided, however,* that, to the extent you are a holder of a Debt Claim and wish to assert a claim, other than a Debt Claim, arising out of or relating to its Debt Claim, you must file for such claim a Proof of Claim on or before the General Bar Date.

THE FACT THAT YOU HAVE RECEIVED THIS NOTICE DOES NOT MEAN THAT YOU HAVE A CLAIM OR THAT THE DEBTORS OR THE COURT BELIEVE THAT YOU HAVE A CLAIM.

YOU SHOULD NOT FILE A PROOF OF CLAIM IF YOU DO NOT HAVE A CLAIM AGAINST ANY OF THE DEBTORS.

3. EXECUTORY CONTRACTS AND UNEXPIRED LEASES

If the Debtors amend or supplement their Schedules subsequent to the mailing of this Bar Date Notice and related information, the Debtors shall give notice of any amendment or supplement of their Schedules to the holders of the claims affected thereby within ten (10) days of filing any such amendment or supplement. Holders of the claims affected thereby must file Proofs of Claim with respect to such claims by the later of (i) the applicable Bar Date, and (ii) twenty (20) days from the date on which notice is given (the "Supplemental Bar Date").

Any person or entity that holds a claim arising from the rejection of an executory contract or unexpired lease must file a Proof of Claim based on such rejection on or before the later of (i) the date that is thirty (30) days after the entry of an order approving the rejection of the executory contract or unexpired lease or (ii) the General Bar Date (the "Rejection Bar Date").

4. WHEN AND WHERE TO FILE

All **original** Proofs of Claim must be filed so as to be **received on or before the applicable Bar Date at 5:00 p.m. (prevailing Eastern Time)** by first-class mail at the following address:

Capmark Claims Processing Center
c/o Epiq Bankruptcy Solutions, LLC
Grand Central Station, P.O. Box 4613
New York, NY 10163-4613

or, by overnight delivery service or by hand delivery at the following address:

Capmark Claims Processing Center
c/o Epiq Bankruptcy Solutions, LLC
757 Third Avenue, 3rd Floor
New York, NY 10017

Proofs of Claim will be deemed timely filed only if **actually received** by Epiq on or before the applicable Bar Date at 5:00 p.m. (prevailing Eastern Time). Proofs of Claim may **not** be delivered by facsimile, telecopy, or electronic mail transmission.

5. WHAT TO FILE

If you file a Proof of Claim, your filed Proof of Claim must (i) be written in the English language; (ii) denominate the claim in lawful currency of the United States as of the Applicable Commencement Date; (iii) conform substantially with the Proof of Claim Form; (iv) be signed by the claimant or, if the claimant is not an individual, by an authorized agent of the claimant; (v) indicate the particular Debtor against which the claim is asserted; and (vi) include supporting documentation (or, if such documentation is voluminous, include a summary of such documentation) or an explanation as to why such documentation is not available; *provided, however*, that a Proof of Claim may be filed without supporting documentation upon the prior written consent of the Debtors; *provided, further*, that any creditor that received such written consent shall be required to transmit such writings to the Debtors, upon request, no later than ten days from the date of such request.

Holders of all claims must use the Proof of Claim Form. Proof of Claim Forms may be obtained from the Capmark Hotline by calling 646-282-2400, or from Epiq's website: http://chapter11.epiqsystems.com/capmark. Proof of Claim Forms may also be obtained from the Court's website: www.deb.uscourts.gov.

YOU MUST ATTACH TO YOUR COMPLETED PROOF OF CLAIM FORM COPIES OF ANY WRITINGS UPON WHICH YOUR CLAIM IS BASED.

YOU MUST INCLUDE SUPPORTING DOCUMENTATION (OR, IF SUCH DOCUMENTATION IS VOLUMINOUS, INCLUDE A SUMMARY OF SUCH DOCUMENTATION) OR AN EXPLANATION AS TO WHY SUCH DOCUMENTATION IS NOT AVAILABLE. A PROOF OF CLAIM MAY BE FILED WITHOUT SUPPORTING DOCUMENTATION UPON THE PRIOR WRITTEN CONSENT OF THE DEBTORS; *PROVIDED*, THAT, UPON THE DEBTORS' REQUEST, ANY CREDITOR THAT RECEIVED SUCH WRITTEN CONSENT SHALL BE REQUIRED TO TRANSMIT SUCH DOCUMENTATION TO THE DEBTORS NO LATER THAN TEN (10) DAYS FROM THE DATE OF SUCH REQUEST.

IF YOU WISH TO ASSERT A CLAIM AGAINST MORE THAN ONE DEBTOR, YOU MUST FILE A SEPARATE PROOF OF CLAIM IN THE CASE OF EACH DEBTOR AGAINST WHICH YOU BELIEVE YOU HOLD SUCH A CLAIM.

6. CONSEQUENCES OF FAILURE TO FILE A PROOF OF CLAIM BY THE APPLICABLE BAR DATE

Except with respect to claims of the type set forth in section 2 above, pursuant to Bankruptcy Rule 3003(c)(2), unless otherwise ordered by the Court, any entity that is required to file a Proof of Claim in these chapter 11 cases pursuant to the Bankruptcy Code or the Bankruptcy Rules with respect to a particular claim against the Debtors, but that fails to do so by the applicable Bar Date, shall not be treated as a creditor for purposes of voting upon, or receiving distributions under, any chapter 11 plan or plans in these chapter 11 cases in respect of that claim.

7. THE DEBTORS' SCHEDULES AND ACCESS THERETO

You may be listed as the holder of a claim against the Debtors in the Schedules. Copies of the Schedules may be examined by interested parties on the Court's electronic docket for the Debtors' chapter 11 cases, which is available at http://www.deb.uscourts.gov (a PACER login and password are required and can be obtained through the PACER Service Center at http://www.pacer.psc.uscourts.gov). Additionally, electronic copies of the Schedules may be viewed at the Debtors' Claims Agent's website at http://chapter11.epiqsystems.com/capmark. Copies of the Schedules may also be examined by interested parties between the hours of 8:00 a.m. and 4:00 p.m. (prevailing Eastern Time) at the office of the Clerk of the Bankruptcy Court, United States Bankruptcy Court for the District of Delaware, 824 Market Street, 3rd Floor, Wilmington, Delaware, 19801.

Dated: February 19, 2010

[1]The Debtors in these chapter 11 cases, along with the last four (4) digits of each Debtor's federal tax identification number, are: Summit Crest Ventures, LLC (5690), Capmark Financial Group Inc. (2188), Capmark Capital Inc. (6496), Capmark Finance Inc. (3444), Commercial Equity Investments, Inc. (4153), Mortgage Investments, LLC (6319), Net Lease Acquisition LLC (9658), SJM Cap, LLC (0862), Capmark Affordable Equity Holdings Inc. (2379), Capmark REO Holding LLC (3951), Paramount Managing Member AMBAC II, LLC (3934), Paramount Managing Member AMBAC III, LLC (3999), Paramount Managing Member AMBAC IV, LLC (0117), Paramount Managing Member AMBAC V, LLC (3366), Paramount Managing Member LLC (0184), Paramount Managing Member II, LLC (7457), Paramount Managing Member III, LLC (0196), Paramount Managing Member IV, LLC (0199), Paramount Managing Member V, LLC (0201), Paramount Managing Member VI, LLC (5857), Paramount Managing Member VII, LLC (5855), Paramount Managing Member VIII, LLC (5854), Paramount Managing Member IX, LLC (5452), Paramount Managing Member XI, LLC (5455), Paramount Managing Member XII, LLC (5457), Paramount Managing Member XVIII, LLC (3087), Paramount Managing Member XIV, LLC (4194), Paramount Managing Member XV, LLC (4192), Paramount Managing Member XVI, LLC (4186), Paramount Northeastern Managing Member, LLC (3086), Capmark Affordable Properties Inc. (3435), Paramount Managing Member XXIII, LLC (4754), Paramount Managing Member XXIV, LLC (3615), Paramount Managing Member 30, LLC (6824), Paramount Managing Member 31, LLC (6826), Paramount Managing Member 33, LLC (6831), Broadway Street California, L.P. (7722), Broadway Street 2001, L.P. (0187), Broadway Street XV, L.P. (7730), Broadway Street XVI, L.P. (7725), Broadway Street XVIII, L.P. (9799), Broadway Street Georgia I, LLC (9740), Capmark Managing Member 4.5 LLC (8979), Capmark Affordable Equity Inc. (2381), and Capmark Investments LP (7999). CFGI's corporate headquarters is located at 116 Welsh Road, Horsham, Pennsylvania, 19044. The addresses for all of the Debtors are available at the following World Wide Web address: http://chapter11.epiqsystems.com/capmark.

[2]The Debtors reserve all rights with respect to any such claims including, *inter alia*, to assert that such claims are subject to subordination pursuant to section 510(b) of the Bankruptcy Code.

EXHIBIT 1

Debtor	Case No.	Commencement Date	General Bar Date	Government Bar Date
Capmark Financial Group Inc.	09-13684	10/25/2009	4/23/2010	4/25/2010
Summit Crest Ventures, LLC	09-13683	10/25/2009	4/23/2010	4/25/2010
Paramount Managing Member LLC	09-13685	10/25/2009	4/23/2010	4/25/2010
Paramount Managing Member II, LLC	09-13686	10/25/2009	4/23/2010	4/25/2010
Capmark Capital Inc.	09-13687	10/25/2009	4/23/2010	4/25/2010
Paramount Managing Member III, LLC	09-13688	10/25/2009	4/23/2010	4/25/2010
Capmark Finance Inc.	09-13689	10/25/2009	4/23/2010	4/25/2010
Paramount Managing Member IV, LLC	09-13690	10/25/2009	4/23/2010	4/25/2010
Capmark Affordable Properties Inc.	09-13691	10/25/2009	4/23/2010	4/25/2010
Commercial Equity Investments, Inc.	09-13692	10/25/2009	4/23/2010	4/25/2010
Paramount Managing Member V, LLC	09-13693	10/25/2009	4/23/2010	4/25/2010
Paramount Managing Member XXIII, LLC	09-13694	10/25/2009	4/23/2010	4/25/2010
Paramount Managing Member VI, LLC	09-13695	10/25/2009	4/23/2010	4/25/2010
Mortgage Investments, LLC	09-13696	10/25/2009	4/23/2010	4/25/2010
Paramount Managing Member VII, LLC	09-13697	10/25/2009	4/23/2010	4/25/2010
Paramount Managing Member XXIV, LLC	09-13698	10/25/2009	4/23/2010	4/25/2010
Net Lease Acquisition LLC	09-13699	10/25/2009	4/23/2010	4/25/2010
Paramount Managing Member VIII, LLC	09-13700	10/25/2009	4/23/2010	4/25/2010
SJM Cap, LLC	09-13701	10/25/2009	4/23/2010	4/25/2010
Paramount Managing Member IX, LLC	09-13702	10/25/2009	4/23/2010	4/25/2010
Paramount Managing Member 30, LLC	09-13703	10/25/2009	4/23/2010	4/25/2010
Capmark Affordable Equity Holdings Inc.	09-13704	10/25/2009	4/23/2010	4/25/2010
Paramount Managing Member XI, LLC	09-13705	10/25/2009	4/23/2010	4/25/2010
Paramount Managing Member 31, LLC	09-13706	10/25/2009	4/23/2010	4/25/2010
Capmark REO Holding LLC	09-13707	10/25/2009	4/23/2010	4/25/2010
Paramount Managing Member XII, LLC	09-13708	10/25/2009	4/23/2010	4/25/2010
Paramount Managing Member 33, LLC	09-13709	10/25/2009	4/23/2010	4/25/2010
Paramount Managing Member AMBAC II, LLC	09-13710	10/25/2009	4/23/2010	4/25/2010
Paramount Managing Member XVIII, LLC	09-13711	10/25/2009	4/23/2010	4/25/2010
Broadway Street California, L.P.	09-13712	10/25/2009	4/23/2010	4/25/2010
Paramount Managing Member AMBAC III, LLC	09-13713	10/25/2009	4/23/2010	4/25/2010
Broadway Street 2001, L.P.	09-13714	10/25/2009	4/23/2010	4/25/2010
Paramount Managing Member XIV, LLC	09-13715	10/25/2009	4/23/2010	4/25/2010
Paramount Managing Member AMBAC IV, LLC	09-13716	10/25/2009	4/23/2010	4/25/2010
Paramount Managing Member XV, LLC	09-13717	10/25/2009	4/23/2010	4/25/2010
Broadway Street XV, L.P.	09-13718	10/25/2009	4/23/2010	4/25/2010
Paramount Managing Member AMBAC V, LLC	09-13719	10/25/2009	4/23/2010	4/25/2010
Paramount Managing Member XVI, LLC	09-13720	10/25/2009	4/23/2010	4/25/2010
Broadway Street XVI, L.P.	09-13721	10/25/2009	4/23/2010	4/25/2010
Broadway Street XVIII, L.P.	09-13722	10/25/2009	4/23/2010	4/25/2010
Paramount Northeastern Managing Member, LLC	09-13723	10/25/2009	4/23/2010	4/25/2010
Broadway Street Georgia I, LLC	09-13724	10/25/2009	4/23/2010	4/25/2010
Capmark Managing Member 4.5 LLC	09-13725	10/25/2009	4/23/2010	4/25/2010
Capmark Affordable Equity Inc.	09-13726	10/25/2009	4/23/2010	4/25/2010
Capmark Investments LP	10-10124	01/15/2010	4/23/2010	7/14/2010

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CORPORATE NEWS

Questions raised on Prius incident

Investigation into unintended acceleration casts doubt on driver's description of events

By Kate Linebaugh

A U.S. federal safety investigation of the Toyota Prius that was involved in a dramatic incident on a California highway last week found a particular pattern of wear on the car's brakes that raises questions about the driver's version of the event, three people familiar with the investigation said.

Last Monday James Sikes, 61 years old, called 911 and told the operator his blue 2008 Toyota Prius had sped up to more than 90 miles per hour, or about 145 kilometers an hour, on its own on Interstate 8 near San Diego. He eventually brought the vehicle to a stop after a California Highway patrolman pulled alongside Mr. Sikes and offered help.

During and after the incident, Mr. Sikes said he was using heavy pressure on his brake pedal at high speeds.

But the investigation of the vehicle, carried out jointly by safety officials from the National Highway Traffic Safety Administration and Toyota engineers, didn't find signs the brakes had been applied at full force at high speeds over a sustained period of time, the three people familiar with the investigation said.

The brakes were discolored and showed wear, but the pattern of friction suggested the driver had intermittently applied moderate pressure on the brakes, these people said, adding the investigation didn't find indicators of the heavy pressure described by Mr. Sikes.

Further details of the findings weren't available.

Associated Press

Driver James Sikes said he used heavy pressure on his brake in the car, above, but the investigation didn't find signs of it.

On Friday NHTSA officials declined to comment on the inspection and couldn't immediately be reached on Saturday.

Toyota spokesman Mike Michels said the company will release technical findings very soon and declined to comment further about the vehicle's brakes. Mr. Michels said the hybrid braking system used in the Prius would make the engine lose power if the brakes were pressed at the same time as the accelerator.

Mr. Sikes lawyer, John Gomez, said Saturday: "Regardless of the outcome of the investigation, it's clear that there is a problem with these cars. We're going to wait till the inspection is complete." He said that the California Highway patrolman involved in the incident said he saw the car's brake lights go on and that he smelled the brakes burning.

The investigation's findings aren't 100% conclusive and still must be finalized. But they are likely to cast doubt on how the situation was described by Mr. Sikes. The California Highway Patrol has said it has no reason not to believe Mr. Sikes, but questions have mounted in recent days, in part because the Prius has a type of technology that pulls back on the accelerator when the brake is engaged.

During the 911 call, the operator urged Mr. Sikes to shift the car into neutral. He later said he was afraid doing so might cause the car to "flip" or shift into reverse.

Mr. Sikes's Prius is subject to a recall by Toyota to prevent the driver's floor mat from pinning down the gas pedal that was announced in November and covers 5.4 million vehicles in the U.S.

Reports of unintended acceleration have prompted Toyota to recall more than six million vehicles in the U.S. and more than eight million world-wide. The recalls are aimed to fix the floor mat issue as well as gas pedals that can get stuck.

U.S. county sues Toyota to halt sales

By Kate Linebaugh

Prosecutors in Orange County, Calif., filed a civil lawsuit Friday against **Toyota Motor** Corp., accusing it of selling vehicles while allegedly suppressing information about safety defects.

The prosecutor's office said it will seek to stop Toyota Motor Sales U.S.A. Inc., the company's U.S. sales and marketing arm, "from continuing to endanger the public through the sale of defective vehicles and deceptive business practices."

Orange County District Attorney Tony Rackauckas said his office filed an unfair-business-practices lawsuit in Orange County Superior Court.

Toyota has recalled more than eight million vehicles world-wide for issues related to unintended acceleration.

"Despite knowledge of the defects, Toyota continues to sell and lease its cars and trucks while knowingly concealing and suppressing information about the defects from consumers," the Orange County district attorney's office said.

In a statement on its Web site, Toyota said it hadn't received the complaint and declined to comment on pending litigation.

Separately, Connecticut Attorney General Richard Blumenthal said Friday he is investigating Toyota's response to vehicle-accelerator problems after three Camry crashes in Connecticut last week, one of which was fatal. In a letter to Toyota, Mr. Blumenthal asked whether Toyota plans to send engineers to examine the vehicles in the crashes.

MGM Mirage to sell 50% stake in Borgata casino

By Alexandra Berzon

MGM Mirage said Friday that it had reached an agreement with the state of New Jersey's Division of Gaming Enforcement to place its 50% stake in Atlantic City's Borgata Hotel Casino & Spa in a divestiture trust after the regulatory group found problems with its partner in a Macau casino.

Under the terms, which have to be approved by New Jersey's Casino Control Commission, MGM Mirage would be the sole beneficiary of the trust. The company would have 18 months to sell its stake in the Borgata and related property. If the sale isn't completed by then, the trustee would have 12 months to sell the stake. Any sale would have to be approved by the commission.

The forced sale could bring in between $200 million and $500 million based on the property's profit, analysts say. The price is likely to be lower than it otherwise would be because of the forced sale, they say.

MGM Mirage had previously disclosed that it was seeking the settlement, which comes after New Jersey regulators in May deemed the company's Macau business partner, heiress Pansy Ho, "unsuitable."

The settlement would allow it to avoid a potential ruling from the Casino Control Commission that the company isn't fit to do business in the state. Such a ruling could precipitate inquiries in other states or damp enthusiasm for a possible initial public offering of the Macau joint venture's assets on the Hong Kong Stock Exchange this year. MGM Mirage's move effectively positions it to move out of New Jersey, where the Borgata is seen as a relative bright spot in a bleak environment.

Envision

The Borgata Hotel Casino & Spa had been a bright spot in Atlantic City's gambling business until last month, when revenue fell 21%.

The settlement, if approved, would clear the way for an initial public offering based on Macau assets, which is expected to raise between $250 million and $500 million for the company. Proceeds from the IPO—as well as the Borgata sale—are expected to help MGM Mirage pay down its hefty debt.

Gambling revenues in Atlantic City declined 16% in February from a year ago after hitting their lowest point in more than a decade. The Borgata, which had been outperforming the market previously, had a particularly poor month. Its revenue declined 21%.

The Macau market, in contrast, is enjoying explosive growth. Revenue there was up 70% in February from a year ago, according to Portuguese news agency Lusa that tracks the data.

New Jersey regulators have kept confidential their most recent report elaborating why Ms. Ho was deemed unsuitable. But in 2005 it submitted a report to the state gaming commission noting that it was based on the connection to her father Stanley Ho, who it said had ties to organized crime. Mr. Ho, a longtime casino operator in Macau, has never faced charges and has disputed the accusations. Ms. Ho has said she is independent of her father, despite several business relationships.

Under the settlement, the state this week is expected to release some of its recent findings, excluding some financial and other information. The report says that MGM Mirage's "due diligence/compliance efforts" were "deficient," according to a petition from MGM Mirage released Friday by the Casino Control Commission.

Jim Murren, MGM Mirage's chief executive, said in a statement that he disagreed with the New Jersey regulators' findings, noting other jurisdictions where MGM Mirage operates hadn't raised similar problems. Nevada regulators, after a two-year review, cleared MGM Mirage's Macau partnership, determining that the relationship posed no threat to MGM or to the state of Nevada, particularly because Mr. Ho wasn't directly involved in the venture.

Two other states—Illinois and Michigan—haven't undertaken reviews.

MGM Mirage has said Mississippi discussed the Macau partnership with the company but didn't investigate further. "We have the utmost respect for the DGE but disagree with its assessment of our partner in Macau," said Mr. Murren.

"Regulators in other jurisdictions in which we operate casinos have thoroughly considered this matter and all of them have either determined that the relationship is appropriate or have decided that further action is not necessary. Since the DGE takes a different view, we believe that the best course of action for our company and its shareholders is to settle this matter and move forward with the compelling growth opportunities we have in Macau."

The company has talked to potential Borgata buyers, according to people with knowledge of the situation, but couldn't come to agreements on price.

The Borgata is co-owned by the Las Vegas-based Boyd Gaming Corporation, which has the right to match any offer. Boyd hasn't indicated whether or not it is interested in purchasing MGM Mirage's stake in the Borgata.

MARKETS

U.S. rally is a tale of 'trash' stocks

Investors take on greater risk in pursuit of higher returns; 'enormous expectations' built into share prices

By E.S. Browning

Investors are flirting with danger again.

After a brief swoon in January and early February, the riskier end of the stock market is back in favor.

That includes small stocks, stocks badly hurt by the financial crisis and those most dependent on global economic growth. Safer stocks, including those that offer steady dividends, are out.

ABREAST OF THE MARKET

That wasn't the case between Jan. 19 and Feb. 8, when the Dow Jones Industrial Average fell 8% amid fears that the global recovery could stall.

Since then, the Dow is up 7%. And in most cases, investors are turning to the same stocks that led the market higher in last year's big rally.

"It seems like the lower-quality, smaller-sized names are taking the lead," says Jack Ablin, chief investment officer at Harris Private Bank in Chicago. "We are getting a junk dominance again."

By a variety of measures, lower-quality stocks are out-gaining higher-quality stocks, says Paul Hickey, co-founder of Bespoke Investment Group in Harrison, N.Y.

"In the words of Oscar the Grouch, the market 'loves trash,'" Mr. Hickey says.

He has ranked the quality of stocks in the Standard & Poor's 500-stock index based on their market size, price-earnings ratio and credit rating. He even sorted them based on which get the most attention from short sellers, the bearish investors who bet that stocks will decline by borrowing the stocks and selling them.

"No matter how you look at it, so-called low-quality stocks in the S&P 500 have outperformed high-quality stocks" since Feb. 8, Mr. Hickey says.

The 50 smallest S&P stocks have risen 13%, compared to a gain of 9% for the 50 largest stocks. Companies whose bonds are rated as junk have risen more than those with investment-grade ratings. The 50 stocks with the highest prices, compared to analysts' expectations for their 2010 profits, are up 16%. Those with the lowest price-to-earnings ratios are up 10%. The most heavily shorted are up 15%. The least-shorted are up 7%.

A total of 19 companies show up as lower-quality stocks by three or more of these criteria. They are up an average of 15%. The 33 that are high quality by at least three criteria are up an average 6%.

One way to track the performance of risky stocks is to look at those that have had to be rescued by the U.S. government. **Citigroup**, down 11% from Jan. 19 through Feb. 8, has jumped 26% since then. **American International Group** fell 22% from Jan. 19 to Feb. 8, and has since rebounded 54%.

Financial stocks, among the most damaged during the bear market, have been among the strongest gainers. U.S. financials are up 13% since Feb. 8, based on financial stocks in the Dow Jones Total Stock Market Index. They more than doubled during the rally from March 9, 2009 through Jan. 19, making them the second-strongest gainers. In the brief winter decline, they pulled back just over 8%.

The group with the biggest gains since the rally resumed on Feb. 9 is the same one that led the market ahead from March 9, 2009 through Jan. 19: producers of basic materials. These companies are associated in investors' minds with hopes for the world economy because they make the most basic building blocks of global growth: copper, steel, chemicals and the like. The group rose 123% during the 10-month rally, sagged 14% during the brief pullback and has rebounded 16% since.

As was the case last year, sectors perceived as safe have been the weakest performers since Feb. 8: Dividend-payers such as utilities and telephone companies, both of which have risen less than 5% since Feb. 8.

One classic way to bet on risky, more-volatile stocks is to shift to smaller stocks. Those companies tend to have the shallowest cash reserves and the biggest dependence on a strong economy. When the economy rebounds, small companies generally turn in bigger profit gains and faster sales growth; when the economy slumps, they suffer the most.

Harris Private Bank is in the middle of a debate over whether to boost its small-stock exposure. It has decided to cut investments in Europe, Japan and Australia and increase U.S. holdings—but which U.S. holdings?

Harris's small-stock analyst is leery of the group, feeling it has become expensive, Harris's Mr. Ablin says. The Russell currently trades around 52 times its companies' profits for the past year, making it more than twice as expensive as the stocks in the S&P 500, according to Thomson Reuters.

But analysts are forecasting that small-company earnings could double this year, compared to growth of 10% to 12% at larger companies, Mr. Ablin says. He is tempted by the group's prospects and its stock momentum.

The problem: "There are enormous expectations built in, so room for disappointment is enormous," he says. "We may end up buying a little of both small and large stocks."

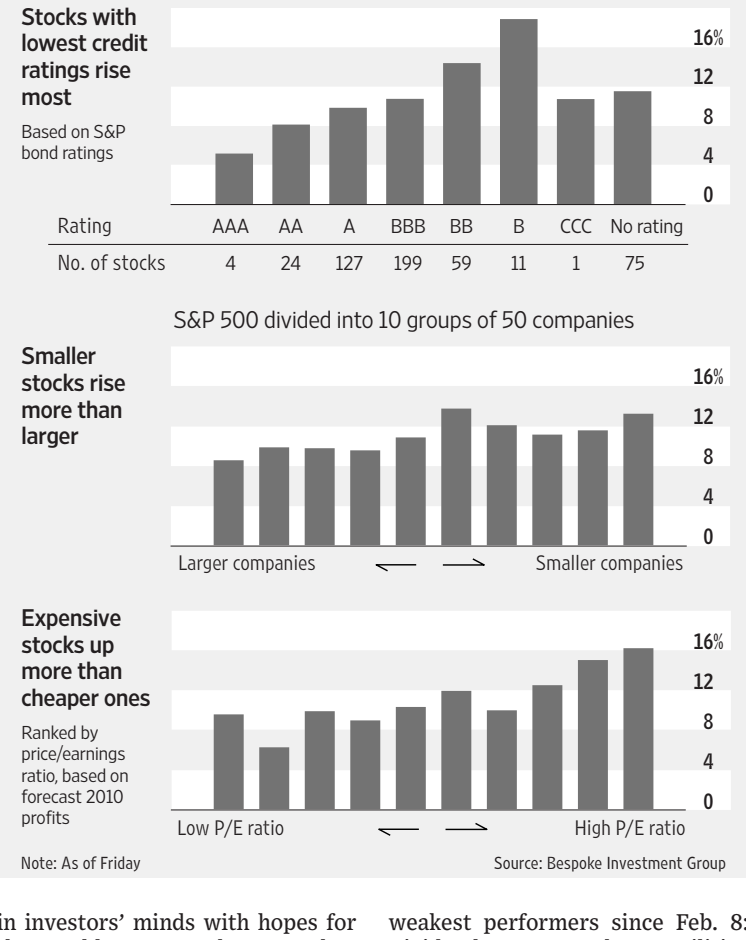
Some analysts warn that the trend toward risky stocks may be nearing its apex.

"We are taking some money out of the high fliers and reallocating a bit, thinking we might be near the high end" of the market's 2010 gains, says Jeffrey Kleintop, chief market strategist at brokerage firm LPL Financial in Boston, who has been bullish.

He worries that uneven economic performance could make stocks volatile and limit gains, especially if world-wide demand for Chinese goods proves uneven.

Weakest do best

The companies with the least robust fundamentals have risen the most since Feb. 8. Charts show performance of S&P 500 stocks, average return.



Note: As of Friday

Source: Bespoke Investment Group

Citic steps up with corporate governance

Continued from page 17

At the heart of the scandal was the question of when Citic Pacific's directors knew about the problem, and why they waited before informing shareholders. In announcing the company's losses back in October 2008, the then-chairman, Larry Yung, said the company had sat on the news for six weeks.

Not disclosing the positions allowed Citic Pacific to quietly unwind many of those bad bets, lessening their potential losses, but it also highlighted the shortcomings of Hong Kong's regulatory reporting regime, which doesn't impose legal penalties on companies that keep mum on potentially market-moving information. The government vows to close that loophole, but critics are skeptical the government can introduce legislation with teeth over the objections of Hong Kong's powerful tycoons.

While they may not face penalties for lack of disclosure, Citic Pacific in this particular case could face criminal penalties for false disclosure related to a company statement made after management became aware of the currency losses. Police searched the company's offices last April and have been pursuing an investigation into the matter. A spokeswoman for Citic Pacific declined to comment.

Bloomberg News

Citic Pacific Chairman Chang Zhenming, right, speaks at an earnings news conference with Managing Director Zhang Jijing in Hong Kong on Wednesday.

In a statement Wednesday, the newly installed chairman, Chang Zhenming, acknowledged that, while Citic Pacific aspired to be one of the world's best-run companies, "I realize that much more needs to be done for us to deserve that accolade," he said.

The company had PricewaterhouseCoopers review the company's internal controls and later brought in more consultants to pore over its finances. It conducted 113 in-depth interviews with senior employees in its finance divisions that Mr. Chang said revealed areas needing improvement.

"We are committed to a more timely release of our financial results," Mr. Chang says. Citic Pacific released its most recent full-year results two weeks ahead of schedule.

Will other Hong Kong firms join in? David Webb, a local shareholder activist, doesn't think so. "Corporate behavior hasn't changed," he says. Citic Pacific's new commitment to transparency is born of "rational self-interest," he adds. "Nobody wants to lose hundreds of millions of dollars on foreign-exchange speculation."

The irony here is that Citic Pacific's mission as a Chinese trailblazer in markets outside the mainland was supposed to expose it to international best practices.

Instead, with Mr. Yung—the son of former Chinese Vice President Rong Yiren—on the out, it has been Mr. Chang—the Beijing bureaucrat—who has been charged with delivering a remedial lesson in corporate-governance standards at the old red chip.

Chinese lender to pursue IPO to fund growth

SHANGHAI—**Guangdong Development Bank**, a Chinese lender in which **Citigroup** Inc. has a 20% stake, said it will pursue this year an initial public offering to help finance its rapid expansion in the next few years.

The mid-sized bank joins domestic peers who have been raising funds from the stock markets in anticipation of strong business growth and stricter capital requirements.

A Citigroup-led consortium completed the purchase of 85% of Guangdong Development Bank for $3.06 billion in December 2006, capping a two-year battle among several groups, including consortiums led by France's Société Générale S.A. and China's Ping An Insurance Co. **China Life Insurance** Co., **State Grid** Corp., and **Citic Trust & Investment** Co. each hold 20% stakes in Guangdong Development Bank, while **International Business Machines** Corp. holds a 4.74% stake.

Founded in 1988 and based in the southern metropolis of Guangzhou, Guangdong Development Bank has more than 500 outlets in China, many of which are based in the surrounding province of Guangdong.

—Rose Yu

THE LEHMAN BANKRUPTCY REPORT

Lehman's death by repos

Report exposes accounting moves, confusing pacts with lenders

By Susanne Craig And Mike Spector

Six weeks before it went bankrupt, **Lehman Brothers Holdings** Inc. was effectively out of securities that could be used as collateral to back the short-term loans it needed to survive. The bank's subsequent scramble to stay alive exposed the murky but crucial role that short-term lending, done in a corner of Wall Street known as the repo market, plays in the financial world.

The report by Lehman's court-appointed bankruptcy examiner, which runs thousands of pages, recounts efforts by the bank to use sleight-of-hand accounting transactions to spiff up its financial picture and sometimes use low-quality collateral to get loans. It also details sometimes angry and confusing tussles between Lehman and its lenders over who got to hold the assets.

Lehman's battles show that the repo market, the lifeblood of Wall Street, often isn't as routine as some investors believe. The basic mechanics involve firms raising cash to fund operations by posting high-quality assets, with an obligation to repurchase them within days.

But the examiner's report exposes the market's lack of information and the confusing, sometimes contradictory agreements between Lehman and its lenders that help explain why the market seized up in the financial crisis.

In one such tussle, Lehman had posted as collateral with **J.P. Morgan Chase** & Co. over the summer of 2008 a security called Fenway, which Lehman claimed had a value of $3 billion. J.P. Morgan concluded the security "was worth practically nothing" just days before Lehman went under, prompting the big bank to demand more collateral from Lehman.

Those factors, combined with collapsing market conditions, put repo agreements into a tailspin. "The basic problem is that the investment banks have become highly dependent on the repo markets for their funding ... but they were using a whole bunch of nontraditional securities for those repo agreements," said Stephen Lubben, a professor at Seton Hall University's law school who specializes in bankruptcy and corporate debt.

"The market is extremely opaque and had become very dependent on the value of mortgage-backed securities. As we got into the second half of 2008, it became very unclear what the value was on a lot of those things," Mr. Lubben said.

The result was the market froze as lenders refused to do business with one another, potentially sending other major Wall Street firms into bankruptcy. The market only began functioning again after governments backstopped banks.

The report also cited a July discussion where a Lehman finance executive told a **Citigroup** executive that all of Lehman's liquid securities had been used as collateral in repo transactions and that to get the type of collateral Citigroup wanted, Citi would have to take collateral from another repo agreement. At another point, Lehman offered Citigroup a package of structured securities, which Citi rejected as "bottom of the barrel" and "junk," adding that they hardly ever traded.

Yet at the same time, the report says, Lehman was able to double-count some liquid securities by using them in repo transactions and counting them in its internal liquidity pool, which would be "monetized at short notice in all market environments." Lehman said it had $42 billion in that pool at the end of the third quarter of 2008, but according to the report, at least $10 billion of that pool had been pledged as collateral in repo agreements.

Associated Press

The scene at Lehman Brothers in New York on the day it filed for bankruptcy.

According to the report, released on Thursday, Lehman was able to use the repo market in other ways to artificially lower its leverage at the end of the quarter, keeping as much as $50 billion in assets off its balance sheet using what it dubbed "Repo 105" transactions. And the bank was able to post over $10 billion in assets as collateral for repo loans, but still count the money as "formally unencumbered collateral in its liquidity pool."

The rare look into the repo market embedded in the report comes 18 months after Lehman Brothers collapsed in the U.S.'s largest bankruptcy filing. While top Lehman executives were quick to blame the real-estate market for their woes, the exhaustive report singles out senior executives and auditor **Ernst & Young** for serious lapses.

The report exposed for the first time what appears to be an accounting sleight of hand known as a Repo 105 transaction, where Lehman was able to book what looked like an ordinary asset for cash as an out-and-out sale, drastically reducing its leverage and making its financial picture look better than it really was. The transactions often were done in a financial quarter's waning days, before Lehman reported earnings.

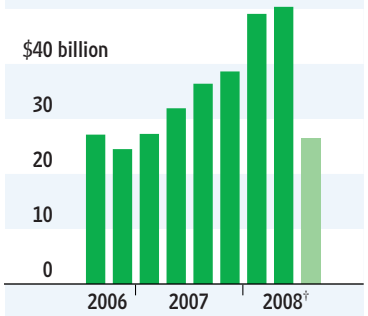
Four days prior to the close of the 2007 fiscal year, Jerry Rizzieri, a member of Lehman's fixed-income division, was searching for a way to meet his balance-sheet target, according to the report. He wrote in an email: "Can you imagine what this would be like without 105?"

A day before the close of Lehman's first quarter in 2008, other employees scrambled to make balance-sheet reductions, the report said. Kaushik Amin, then-head of Liquid Markets, wrote to a colleague: "We have a desperate situation, and I need another 2 billion from you, either through Repo 105 or outright sales. Cost is irrelevant, we need to do it."

Marie Stewart, the former global head of Lehman's accounting policy group, told the examiner the transactions were "a lazy way of managing the balance sheet as opposed to legitimately meeting balance-sheet targets at quarter end."

Repo yard

Lehman Brothers's quarterly Repo 105* transactions



*Includes Repo 108. Repo 105 and Repo 108 are transactions where a transfer of assets is treated as a sale rather than a financing, potentially making a balance sheet look rosier than it really is.
†Third-quarter figure is through Aug. 29.

Source: Jenner & Block report

Lehman's use of this accounting technique goes back to the start of the decade when Lehman business units from New York and London met to discuss how the firm could manage its balance sheet using accounting rules that had taken effect in September 2000. Lehman soon created the "Repo 105" maneuver: Because assets the firm moved amounted to 105% or more of the cash it received in return, Lehman could treat the transactions as sales and remove securities inventory that otherwise would have to be kept on its balance sheet.

Because no U.S. law firm would bless the transaction, Lehman got an opinion letter from London-based law firm **Linklaters**. That letter essentially blessed using the maneuver for Lehman's European broker-dealer under English law. If one of Lehman's U.S. entities needed to engage in a Repo 105 transaction, the firm moved the securities to its European arm to conduct the deal on the U.S. entity's behalf, the report found. That is likely why the counterparties on the repo transactions were largely a group of seven non-U.S. banks. These included Germany's **Deutsche Bank** AG, **Barclays** PLC of the U.K. and Japan's **Mitsubishi UFJ Financial Group**.

In a statement, a Linklaters spokeswoman said the report "does not criticize" the legal opinions it gave Lehman "or suggest or say they were wrong or improper."

Insider warned about accounting

By Michael Corkery

Inside **Lehman Brothers Holdings** Inc., some executives quietly fretted about the firm's accounting as the company headed to the brink in September 2008.

Matthew Lee did something about it.

In May 2008, the former Lehman Brothers senior vice president wrote a letter to senior management warning that the company may have been masking the true risks on its balance sheet.

Now, the little-known Lehman Brothers executive once in charge of "global balance sheet and legal entity accounting" is at the center of allegations that Lehman Brothers manipulated its numbers and misled investors.

His warnings, revealed for the first time in a report by a U.S. bankruptcy-court examiner, show that Lehman Brothers's auditors knew of potential accounting irregularities and allegedly failed to raise the issue with Lehman Brothers's board.

"I had a premonition that this day was coming," said Mr. Lee late Thursday, from the front stoop of a two-story brownstone in Brooklyn, N.Y.

Mr. Lee said he had yet to read the 2,200-page examiner's report, which is being devoured by readers online.

"I am a hard-copy kind of guy," he said in a phone interview on Friday.

Mr. Lee was raised in Scotland and attended the University of Edinburgh. He referees weekend soccer matches in Brooklyn.

A person close to Mr. Lee said the fallout from his warnings has been difficult for the 14-year Lehman Brothers veteran.

Mr. Lee declined to say where he has been working since Lehman Brothers's collapse.

He worked at **Ernst & Young** before joining Lehman Brothers in 1994.

"I have no animosity toward anyone at Lehman Brothers. I just want the truth to come out," said the tall, brown-haired 56-year-old.

Mr. Lee said he was refraining from comment on details from the report until all Lehman Brothers litigation has been settled, which he realized could take years.

"I have a lot to say, but unfortunately it is going to have to wait," he said.

At the time Mr. Lee voiced his concerns in May 2008, Lehman Brothers was under siege from investors who questioned whether the securities firm was accurately valuing its risky assets.

"We are also dealing with a whistle-blower letter, that is on its face pretty ugly and will take us a significant amount of time to get through," William Schlich, a former lead partner on Ernst & Young's Lehman Brothers team, wrote in a June 5, 2008, email to a colleague, which is included in the examiner's report.

While saying he was confident he could clear up Mr. Lee's concerns, Mr. Schlich wrote that the letter and off-balance sheet accounting issues were "adding stress to everyone."

Mr. Schlich didn't return a request for comment.

In a statement, Ernst & Young said: "Lehman conducted an investigation of the allegations in the employee's May 2008 letter.

In July 2008, Lehman's management reported to the Audit Committee and concluded the allegations were unfounded and there were no material issues identified. We never concluded our review of the matter, because Lehman went into bankruptcy before we completed our audit."

Mr. Lee's letter contained several allegations, according to the examiner's report.

Among them: That Lehman Brothers had "tens of billion of dollars of unsubstantiated balances, which may or may not be 'bad' or non-performing assets or real liabilities."

He also alleged that Lehman Brothers was failing to value tens of billion of dollars of illiquid inventory in a "fully realistic or reasonable way."

Mr. Lee was worried that Lehman Brothers had failed to bolster its accounting systems and personnel to keep up with the firm's rapid growth.

Specifically, he was concerned about "potential misstatements of material facts" coming from Lehman Brothers's India office.

A month after receiving Mr. Lee's letter, Lehman Brothers board members directed Ernst & Young to interview Mr. Lee and investigate his concerns, according to the examiner's report.

Matthew Lee alleged Lehman had "tens of billions of dollars of unsubstantiated balances, which may or may not be 'bad' or non-performing assets or real liabilities."

In a June 12, 2008 interview with Ernst & Young, Mr. Lee raised the issue that Lehman Brothers was moving as much as $50 billion off its balance sheet, using a practice the firm called "Repo 105," the report says.

The accounting device was used by Lehman Brothers to temporarily park assets off its books at the end of a quarter to make it look as if the firm had less debt, the report concludes, something investors and credit raters would tend to look favorably on.

Lehman Brothers "had way more leverage than people thought; it was just out of [the public's] sight," Mr. Lee told the examiner in July 2009, according to the report.

Internally, the issue appeared to fall on deaf ears.

Mr. Lee said when Repo 105 was raised at monthly staff meetings, the response was usually that Lehman Brothers officials were "quite keen on reducing the balance sheet," according to the examiner's report.

In a meeting the day after they interviewed Mr. Lee, Ernst & Young auditors didn't mention his allegations about Repo 105 to Lehman Brothers's board "even though the Chairman of the Audit Committee had clearly stated that he wanted every allegation made by Lee—whether in Lee's May 16 letter or during the course of the investigation—to be investigated," the report states.

Chinese shares sink on worries of policy moves

A Wall Street Journal Roundup

China's shares fell to nearly a three-week low Friday, led by property firms and banks as concerns about inflation raised the prospect of Beijing introducing possible new monetary-tightening measures.

The benchmark Shanghai Composite Index, which tracks both A and B shares, ended down 1.2% at 3013.41, its lowest point since Feb. 23. The index fell 0.6% for the week.

ASIAN-PACIFIC STOCKS

China Vanke fell 1.5% and **Poly Real Estate** declined 1.6%. The property sector is particularly sensitive to credit-tightening measures, analysts said.

Banks and steel mills also fell, as a tightened lending environment would hurt their earnings prospects. **Shenzhen Development Bank** fell 3.1% and **Baoshan Iron & Steel** dropped 2.1%.

In Hong Kong, **Air China** jumped 11% after the Chinese flag carrier said it plans to raise 5.6 billion yuan ($820 million) through an A-share private placement. But concerns about increased share supply hurt the stock in Shanghai, where it fell 4.1%.

In Tokyo, exporters helped the market extend gains. Japan's Nikkei Stock Average of 225 companies rose 0.8% to 10751.26, its highest close since Jan. 21. **Nikon** and **Nissan Motor** both gained 2.4%,

OPEC's challenge: production targets

By Spencer Swartz

LONDON—As the Organization of Petroleum Exporting Countries prepares to meet for the first time in three months, a debate is brewing within the 12-nation oil cartel over what its post-recession production might look like.

Members such as Nigeria, Angola and Venezuela have indicated in the past months that they want higher targets within the group's quota system in order to accommodate new drilling projects that represent significant potential cash flow.

COMMODITY MARKETS

OPEC is unlikely to make any formal decision on the issue when it meets Wednesday in Vienna. Satisfied with oil prices of above $80 a barrel, the cartel is expected to keep its formal production target unchanged at the meeting, as it did throughout 2009.

Quotas, which are aimed at supporting crude prices, are a sensitive issue for OPEC states because they are all about oil revenue. Ministers and delegates say they don't squabble over market share as in past decades.

But unless world oil demand grows rapidly in coming years, the market-share question seems certain to intensify as OPEC's member nations face competitive threats both inside and outside the cartel.

Within OPEC, the rebuilding of Iraq's oil sector is a factor that will loom larger over time. With the world's third-biggest proven oil reserves, Iraq will inevitably raise competitive threats with producers, such as Iran and Saudi Arabia, from 2011 onward as Iraq's production capacity increases. Iraq doesn't abide by OPEC agreements while it rebuilds, so it isn't a factor at the moment.

Perhaps sensing the coming pressure, Venezuela concluded an oil-licensing round last month after sweetening the terms offered to several energy companies, including **Chevron** Corp., as it seeks to breathe new life into its moribund industry. The deals, which could still fall apart, are intended to deliver new production capacity over the next five years for Venezuela, which wants a higher OPEC production quota.

Meanwhile, OPEC's primary growth market, Asia, is getting more crowded as Russia boosts oil shipments there from a new pipeline, although this hasn't yet slowed cash flowing to OPEC states. OPEC nations have gotten the best of both worlds in past months: quietly pumping more crude and still getting a higher oil price despite lingering economic uncertainty.

Minus Iraq, OPEC states have increased output by roughly 600,000 barrels a day since early autumn while crude prices have marched around $11 a barrel higher to the upper end of what many OPEC ministers say is their preferred $70 to $80 price range.

The increased barrels, which ignore 2008 OPEC production-cut agreements that remain in effect, have helped pad global supply but haven't tamed crude prices, with many traders convinced of economic recovery. While oil futures for April delivery shed 1.1% Friday to $81.24 a barrel on the New York Mercantile Exchange, prices remain up 2.4% this year.

OPEC's next move to raise production, perhaps by late 2010, could mean little in actual barrel terms if current trends continue because the group's 11 quota-bound members already produce roughly two million barrels a day above their agreed production target.

FUND SCORECARD

Japan Small/Mid-Cap Equity

Funds that invest primarily in the equities of small- and mid-cap Japansese companies. At least 75% of total assets are invested in equities. Ranked on % total return (dividends reinvested) in U.S. dollars for one year ending March 12, 2010

Leading 10 Performers

FUND RATING †	FUND NAME	FUND MGM'T CO.	CURR.	LEGAL BASE	% Return in $US ** YTD	1-YR	2-YR	5-YR
4	**M&G Japan Smaller Companies A EUR**	M&G Group	EUR	United Kingdom	**10.53**	77.33	9.84	-5.59
3	**Baillie Gifford Japan Inv Trust**	Baillie Gifford </td> Co Limited.	GBP	United Kingdom	**9.59**	68.10	-4.89	-1.95
3	**Baillie Gifford Japan Small Co A**	Baillie Gifford </td> Co Limited.	GBP	United Kingdom	**4.58**	59.07	-5.15	-5.93
4	**Fidelity Japanese Values**	FIL Investments International	GBP	United Kingdom	**5.02**	57.47	-7.38	-8.96
4	**Henderson Horizon Japanese Smlr Coms A2**	Henderson Global Investors Ltd.	USD	Luxembrg	**7.06**	55.37	10.25	-1.16
NS	**SPARX Japan Smaller Companies Instl**	SPARX Asset Management Co., Ltd.	JPY	Ireland	**6.20**	55.18	-1.68	NS
3	**Martin Currie GF Japan MidCap GBP**	Martin Currie Investment Mngmt Ltd	GBP	Luxembrg	**7.31**	53.46	-5.58	-2.49
1	**Melchior Japan Opportunities A GBP**	Dalton Strategic Partnership LLP	GBP	United Kingdom	**1.62**	52.46	-10.03	-9.74
2	**AXA Framlington Japan Smlr Coms**	AXA Investment Managers UK Ltd.	GBP	United Kingdom	**0.09**	51.82	-0.38	NS
4	**Amonis Equity Japan Mid Cap Growth**	Amonis	EUR	Belgium	**7.13**	50.62	-4.57	-1.72

NOTE: Changes in currency rates will affect performance and rankings.
KEY: ** 2YR and 5YR performance is annualized
NA-not available due to incomplete data;
NS-fund not in existence for entire period

Source: Morningstar, Ltd
1 Oliver's Yard, 55-71 City Road
London EC1Y 1HQ United Kingdom
www.morningstar.co.uk; **Email**: mediaservice@morningstar.com
Phone: +44 (0)203 107 0038; **Fax**: +44 (0)203 107 0001

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
AHW the relaxed way to invest									
■ AHW CAPITAL MANAGEMENT									
Tel (+49) 1805 - 23 82 82									
www.ahw-capital.com									
AHW Top-Div.Int.	GL	EQ	LUX	03/11	EUR	52.36	-4.2	53.0	-19.0
AllianceBernstein									
■ ALLIANCE BERNSTEIN									
www.alliancebernstein.com/investments Tel. +800 2263 8637									
Am Eq Blend A	OT	OT	LUX	03/11	USD	10.74	3.6	60.5	-7.5
Am Eq Blend B	US	EQ	LUX	03/11	USD	10.07	3.3	59.1	-8.4
Am Growth A	US	EQ	LUX	03/11	USD	31.64	1.3	56.1	2.1
Am Growth AX	US	EQ	LUX	03/11	USD	34.19	1.4	57.0	2.7
Am Growth B	US	EQ	LUX	03/11	USD	26.56	1.1	54.6	1.1
Am Growth C	US	EQ	LUX	03/11	USD	28.61	1.2	55.4	1.7
Am Growth I	US	EQ	LUX	03/11	USD	35.12	1.4	57.3	2.9
Am Income A	US	BD	LUX	03/11	USD	8.55	2.4	32.1	7.5
Am Income A2	US	BD	LUX	03/11	USD	19.53	2.6	32.1	7.4
Am Income A2	OT	OT	NA	03/11	HKD	151.54	2.6	32.1	7.4
Am Income AT	OT	OT	NA	03/11	HKD	66.34	2.6	32.3	7.5
Am Income AT	US	BD	LUX	03/11	USD	8.55	2.6	32.3	7.5
Am Income B	US	BD	LUX	03/11	USD	8.55	2.3	31.1	6.6
Am Income B2	US	BD	LUX	03/11	USD	16.81	2.4	31.2	6.7
Am Income B2	OT	OT	NA	03/11	HKD	130.44	2.4	31.2	6.7
Am Income BT	OT	OT	NA	03/11	HKD	66.65	2.4	31.1	6.7
Am Income BT	US	BD	LUX	03/11	USD	8.59	2.4	31.1	6.7
Am Income C	US	BD	LUX	03/11	USD	8.55	2.3	31.4	6.9
Am Income C2	US	BD	LUX	03/11	USD	25.01	2.5	31.6	7.0
Am Income I	US	BD	LUX	03/11	USD	8.55	2.5	32.9	8.1
Am Value A	US	EQ	LUX	03/11	USD	8.80	3.2	50.4	-6.8
Am Value B	US	EQ	LUX	03/11	USD	8.09	3.1	49.0	-7.7
Am Value C	US	EQ	LUX	03/11	USD	8.80	3.2	49.9	-7.2
Am Value I	US	EQ	LUX	03/11	USD	9.49	3.4	51.6	-6.0
Emg Mkts Debt A	GL	BD	LUX	03/11	USD	15.94	3.6	50.9	9.8
Emg Mkts Debt A2	GL	BD	LUX	03/11	USD	20.86	3.7	51.0	9.9
Emg Mkts Debt AT	GL	BD	LUX	03/11	USD	16.02	3.8	51.2	10.0
Emg Mkts Debt B	GL	BD	LUX	03/11	USD	15.94	3.4	49.6	8.8
Emg Mkts Debt B2	GL	BD	LUX	03/11	USD	20.06	3.6	49.6	8.8
Emg Mkts Debt BT	GL	BD	LUX	03/11	USD	15.99	3.6	49.5	8.8
Emg Mkts Debt C	GL	BD	LUX	03/11	USD	15.94	3.5	50.3	9.4
Emg Mkts Debt C2	GL	BD	LUX	03/11	USD	20.49	3.7	50.4	9.4
Emg Mkts Debt I	GL	BD	LUX	03/11	USD	15.95	3.7	51.8	10.5
Emg Mkts Growth A	GL	EQ	LUX	03/11	USD	34.58	-0.2	88.3	-10.0
Emg Mkts Growth B	GL	EQ	LUX	03/11	USD	29.26	-0.4	86.6	-10.9
Emg Mkts Growth C	GL	EQ	LUX	03/11	USD	29.95	-0.3	87.5	-10.4
Emg Mkts Growth I	GL	EQ	LUX	03/11	USD	38.40	0.0	89.9	-9.3
Eur Growth A	OT	OT	LUX	03/11	EUR	9.82	2.1	45.9	-10.9
Eur Growth A	OT	OT	LUX	03/11	EUR	7.18	2.1	45.9	-10.9
Eur Growth B	OT	OT	LUX	03/11	EUR	6.44	1.9	44.4	-11.8
Eur Growth B	OT	OT	LUX	03/11	USD	8.81	1.9	44.4	-11.8
Eur Growth C	EU	EQ	LUX	03/11	EUR	5.43	1.9	45.2	-11.3
Eur Growth I	OT	OT	LUX	03/11	USD	10.71	2.1	46.9	-10.2
Eur Growth I	OT	OT	LUX	03/11	EUR	7.83	2.1	46.9	-10.2
Eur Income A	OT	OT	LUX	03/11	EUR	6.78	3.7	57.2	7.9
Eur Income A	OT	OT	LUX	03/11	USD	9.27	3.7	57.2	7.9
Eur Income A2	OT	OT	LUX	03/11	EUR	13.38	4.0	57.2	7.9
Eur Income A2	OT	OT	LUX	03/11	USD	18.30	4.0	57.2	7.9
Eur Income AT	EU	BD	LUX	03/11	EUR	6.78	4.0	57.3	7.9
Eur Income B	OT	OT	LUX	03/11	EUR	6.78	3.6	56.3	7.1
Eur Income B	OT	OT	LUX	03/11	USD	9.27	3.6	56.3	7.1
Eur Income B2	OT	OT	LUX	03/11	EUR	12.43	3.8	56.2	7.1
Eur Income B2	OT	OT	LUX	03/11	USD	17.00	3.8	56.2	7.1
Eur Income BT	EU	BD	LUX	03/11	EUR	6.78	3.8	56.0	7.2
Eur Income C	OT	OT	LUX	03/11	EUR	6.78	3.6	56.6	7.4
Eur Income C	OT	OT	LUX	03/11	USD	9.27	3.6	56.6	7.4
Eur Income C2	OT	OT	LUX	03/11	EUR	13.32	3.8	56.3	7.4
Eur Income C2	OT	OT	LUX	03/11	USD	18.22	3.8	56.3	7.4
Eur Income I	OT	OT	LUX	03/11	EUR	6.78	3.8	58.0	8.4
Eur Income I	OT	OT	LUX	03/11	USD	9.27	3.8	58.0	8.4
Eur Strat Value A	OT	OT	LUX	03/11	EUR	8.64	1.3	54.6	-14.8
Eur Strat Value A	OT	OT	LUX	03/11	USD	11.82	1.3	54.6	-14.8
Eur Strat Value I	OT	OT	LUX	03/11	EUR	8.86	1.4	56.0	-14.1
Eur Strat Value I	OT	OT	LUX	03/11	USD	12.12	1.4	56.0	-14.1
Eur Value A	OT	OT	LUX	03/11	EUR	9.28	0.9	57.6	-11.2
Eur Value A	OT	OT	LUX	03/11	USD	12.69	0.9	57.6	-11.2
Eur Value B	OT	OT	LUX	03/11	USD	11.64	0.6	55.9	-12.2
Eur Value B	OT	OT	LUX	03/11	EUR	8.51	0.6	55.9	-12.2
Eur Value C	OT	OT	LUX	03/11	USD	12.26	0.8	56.9	-11.7
Eur Value C	OT	OT	LUX	03/11	EUR	8.96	0.8	56.9	-11.7
Eur Value I	OT	OT	LUX	03/11	USD	14.68	1.0	59.0	-10.5
Eur Value I	OT	OT	LUX	03/11	EUR	10.73	1.0	59.0	-10.5
Gl Balanced (Euro) A	OT	OT	LUX	03/11	USD	16.09	2.5	38.8	-6.2
Gl Balanced (Euro) B	OT	OT	LUX	03/11	USD	15.63	2.3	37.4	-7.1
Gl Balanced (Euro) C	OT	OT	LUX	03/11	USD	15.95	2.5	38.5	-6.4
Gl Balanced (Euro) I	OT	OT	LUX	03/11	USD	16.40	2.7	NS	NS
Gl Balanced A	US	BA	LUX	03/11	USD	16.63	0.9	43.1	-7.0
Gl Balanced B	US	BA	LUX	03/11	USD	15.78	0.7	41.7	-7.9
Gl Balanced C	OT	OT	LUX	03/11	USD	16.37	0.8	42.6	-7.3
Gl Balanced C	OT	OT	LUX	03/11	EUR	11.97	0.8	42.6	-7.3
Gl Balanced I	US	BA	LUX	03/11	USD	17.27	1.1	44.0	-6.4
Gl Bond A	US	BD	LUX	03/11	USD	9.37	2.1	18.4	5.3
Gl Bond A2	US	BD	LUX	03/11	USD	16.36	2.2	18.4	5.2
Gl Bond A2	OT	OT	NA	03/11	HKD	126.95	2.2	18.4	5.2
Gl Bond AT	OT	OT	LUX	03/11	HKD	72.63	2.2	18.4	5.2
Gl Bond AT	US	BD	LUX	03/11	USD	9.36	2.2	18.4	5.2
Gl Bond B	US	BD	LUX	03/11	USD	9.37	1.9	17.3	4.2
Gl Bond B2	US	BD	LUX	03/11	USD	14.30	2.0	17.2	4.2
Gl Bond B2	OT	OT	NA	03/11	HKD	110.96	2.0	17.2	4.2
Gl Bond BT	OT	OT	LUX	03/11	HKD	72.94	2.0	17.2	4.2
Gl Bond BT	US	BD	LUX	03/11	USD	9.40	2.0	17.2	4.2
Gl Bond C	US	BD	LUX	03/11	USD	9.37	2.0	17.9	4.8
Gl Bond C2	US	BD	LUX	03/11	USD	14.19	2.2	18.0	4.8
Gl Bond I	US	BD	LUX	03/11	USD	9.37	2.2	19.0	5.9
Gl Conservative A	US	BA	LUX	03/11	USD	14.97	1.2	26.2	-1.8
Gl Conservative A2	US	BA	LUX	03/11	USD	17.12	1.1	26.2	-1.8
Gl Conservative B	US	BA	LUX	03/11	USD	14.97	1.0	24.9	-2.8
Gl Conservative B2	US	BA	LUX	03/11	USD	16.24	0.9	24.9	-2.8
Gl Conservative C	US	BA	LUX	03/11	USD	14.96	1.1	25.6	-2.3
Gl Conservative C2	US	BA	LUX	03/11	USD	16.73	1.0	25.6	-2.3
Gl Conservative I	US	BA	LUX	03/11	USD	15.04	1.3	27.2	-1.0
Gl Eq Blend A	GL	EQ	LUX	03/11	USD	11.65	-0.1	60.9	-16.0
Gl Eq Blend B	GL	EQ	LUX	03/11	USD	10.91	-0.4	59.3	-16.9
Gl Eq Blend C	GL	EQ	LUX	03/11	USD	11.43	-0.3	60.1	-16.4
Gl Eq Blend I	GL	EQ	LUX	03/11	USD	12.31	0.1	62.2	-15.3
Gl Growth A	GL	EQ	LUX	03/11	USD	42.10	0.5	54.9	-16.3
Gl Growth B	GL	EQ	LUX	03/11	USD	35.08	0.3	53.4	-17.1
Gl Growth C	GL	EQ	LUX	03/11	USD	40.36	0.4	54.2	-16.7
Gl Growth I	GL	EQ	LUX	03/11	USD	46.82	0.6	56.2	-15.6
Gl High Yield A	US	BD	LUX	03/11	USD	4.45	4.2	70.4	8.3
Gl High Yield A2	US	BD	LUX	03/11	USD	9.66	4.3	70.4	8.1
Gl High Yield A2	OT	OT	NA	03/11	HKD	74.96	4.3	70.4	8.1
Gl High Yield AT	OT	OT	NA	03/11	HKD	34.22	4.4	70.0	8.1
Gl High Yield AT	US	BD	LUX	03/11	USD	4.41	4.4	70.0	8.1
Gl High Yield B	US	BD	LUX	03/11	USD	4.45	4.0	68.3	7.0
Gl High Yield B2	US	BD	LUX	03/11	USD	15.50	4.2	68.7	7.1
Gl High Yield B2	OT	OT	NA	03/11	HKD	120.27	4.2	68.7	7.1
Gl High Yield BT	OT	OT	NA	03/11	HKD	34.84	4.2	68.6	7.2
Gl High Yield BT	US	BD	LUX	03/11	USD	4.49	4.2	68.6	7.2
Gl High Yield C	US	BD	LUX	03/11	USD	4.45	4.1	69.5	7.7
Gl High Yield C2	US	BD	LUX	03/11	USD	14.31	4.3	69.5	7.7
Gl High Yield I	US	BD	LUX	03/11	USD	4.45	4.3	71.5	9.0
Gl Thematic Res. A	OT	OT	LUX	03/11	USD	15.00	1.8	83.8	0.2
Gl Thematic Res. B	OT	OT	LUX	03/11	USD	13.10	1.6	81.9	-0.7
Gl Thematic Res. I	OT	OT	LUX	03/11	USD	16.75	1.9	85.3	1.0
Gl Value A	GL	EQ	LUX	03/11	USD	11.07	-0.6	67.2	-15.7
Gl Value B	GL	EQ	LUX	03/11	USD	10.15	-0.9	65.6	-16.6
Gl Value C	GL	EQ	LUX	03/11	USD	10.75	-0.7	66.7	-16.1
Gl Value I	GL	EQ	LUX	03/11	USD	11.79	-0.5	68.7	-15.1
Greater China A	AS	EQ	LUX	03/11	USD	39.32	-1.8	66.4	-9.0
Greater China B	AS	EQ	LUX	03/11	USD	34.73	-1.9	64.8	-9.9
Greater China C	AS	EQ	LUX	03/11	USD	38.79	-1.8	65.6	-9.4
India Growth A	OT	OT	LUX	03/11	USD	129.55	2.1	NS	NS
India Growth AX	OT	OT	LUX	03/11	USD	113.31	2.1	133.5	1.5
India Growth B	OT	OT	LUX	03/11	USD	135.45	1.9	NS	NS
India Growth BX	OT	OT	LUX	03/11	USD	96.66	1.9	131.1	0.5
India Growth I	EA	EQ	LUX	03/11	USD	117.54	2.2	134.6	1.9
Int'l Health Care A	OT	EQ	LUX	03/11	USD	143.17	4.1	42.6	-0.6
Int'l Health Care B	OT	EQ	LUX	03/11	USD	120.53	3.9	41.1	-1.6
Int'l Health Care C	OT	EQ	LUX	03/11	USD	137.09	4.1	41.9	-1.1
Int'l Health Care I	OT	EQ	LUX	03/11	USD	156.67	4.3	43.7	0.2
Int'l Technology A	OT	EQ	LUX	03/11	USD	111.64	1.2	66.4	-2.5
Int'l Technology B	OT	EQ	LUX	03/11	USD	96.55	1.0	64.8	-3.4
Int'l Technology C	OT	EQ	LUX	03/11	USD	107.80	1.1	65.7	-2.9
Int'l Technology I	OT	EQ	LUX	03/11	USD	125.37	1.3	67.8	-1.7
Japan Eq Blend A	JP	EQ	LUX	03/11	JPY	6088.00	1.1	41.1	-15.7
Japan Eq Blend B	JP	EQ	LUX	03/11	JPY	5863.00	0.9	39.7	-16.6
Japan Eq Blend C	JP	EQ	LUX	03/11	JPY	5985.00	1.0	40.4	-16.1
Japan Growth A	JP	EQ	LUX	03/11	JPY	5777.00	-1.7	28.7	-17.7
Japan Growth B	JP	EQ	LUX	03/11	JPY	5564.00	-1.8	27.4	-18.5
Japan Growth C	JP	EQ	LUX	03/11	JPY	5680.00	-1.7	28.1	-18.0
Japan Strat Value A	JP	EQ	LUX	03/11	JPY	6351.00	3.8	53.3	-14.2
Japan Strat Value B	JP	EQ	LUX	03/11	JPY	6123.00	3.6	51.7	-15.0
Japan Strat Value C	JP	EQ	LUX	03/11	JPY	6239.00	3.7	52.5	-14.6
Real Estate Sec. A	OT	EQ	LUX	03/11	USD	14.65	2.1	91.5	-10.3
Real Estate Sec. B	OT	EQ	LUX	03/11	USD	13.36	1.8	89.5	-11.2
Real Estate Sec. I	OT	EQ	LUX	03/11	USD	15.76	2.2	92.9	-9.6
Short Mat Dollar A	US	BD	LUX	03/11	USD	7.30	1.0	15.7	-2.0
Short Mat Dollar A2	US	BD	LUX	03/11	USD	9.90	1.1	15.7	-2.1
Short Mat Dollar AT	US	BD	LUX	03/11	USD	7.29	1.2	15.7	-2.1
Short Mat Dollar B	US	BD	LUX	03/11	USD	7.30	0.9	15.2	-2.5
Short Mat Dollar B2	US	BD	LUX	03/11	USD	9.84	1.0	15.1	-2.5
Short Mat Dollar BT	OT	OT	LUX	03/11	USD	7.30	0.9	NS	-2.8
Short Mat Dollar C	US	BD	LUX	03/11	USD	7.30	0.9	15.2	-2.5
Short Mat Dollar C2	US	BD	LUX	03/11	USD	13.91	1.0	15.1	-2.5
Short Mat Dollar I	US	BD	LUX	03/11	USD	7.30	1.1	16.3	-1.5

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
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Alexandra Convertible Bond Fund I, Ltd. (Class A)	OT	OT	VGB	01/29	USD	1778.08	5.1	80.4	NS
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CPS-Master Priv Fund	GL	OT	WSM	03/10	USD	108.45	8.5	31.6	24.1
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Platinm-All Star	OT	OT	CYM	12/31	USD	97.22	15.7	15.7	-12.2
Platinm-All Weather	OT	OT	USA	10/31	USD	129.92	2.4	3.2	3.8
Platinm-Dynasty	OT	OT	USA	12/31	USD	116.00	12.9	12.9	-29.1
Platinm-Emancipation	OT	OT	USA	01/29	USD	94.67	1.7	28.8	-5.0
Platinm-Equity Plus	OT	OT	USA	05/29	USD	35.02	-18.2	-63.7	-45.6
Platinm-Gbl Dividend	OT	OT	CYM	12/31	USD	62.80	37.2	37.2	-26.9
Platinm-Nordic	OT	OT	CYM	01/29	SEK	627.50	1.6	14.6	-12.4
Platinm-Premier	OT	OT	CYM	12/31	USD	21.20	-55.9	-66.0	-44.3
Platinm-Turnberry	OT	OT	USA	01/29	USD	60.80	1.2	NS	-27.0
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Superfund Cayman*	OT	OT	CYM	03/09	USD	39.21	-3.8	-55.8	-17.3
Superfund GCT USD*	GL	EQ	LUX	03/09	USD	2103.00	-4.2	-44.3	-13.6
Superfund Green Gold A (SPC)	OT	OT	CYM	03/09	USD	956.45	-0.8	-22.6	-7.9
Superfund Green Gold B (SPC)	OT	OT	CYM	03/09	USD	915.01	-2.2	-37.3	-14.6
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Winton Evolution EUR Cls H	OT	OT	CYM	02/26	EUR	948.03	0.3	-6.0	NS
Winton Evolution GBP Cls G	OT	OT	CYM	02/26	GBP	955.79	0.7	-5.2	NS
Winton Evolution USD Cls F	OT	OT	CYM	02/26	USD	1203.51	0.4	-5.9	-0.4
Winton Futures EUR Cls C	OT	OT	VGB	02/26	EUR	196.04	-0.4	-5.7	1.6
Winton Futures GBP Cls D	OT	OT	VGB	02/26	GBP	212.20	-0.3	-5.3	2.4
Winton Futures JPY Cls E	OT	OT	VGB	02/26	JPY	13835.61	-0.4	-6.5	-0.6
Winton Futures USD Cls B	OT	OT	VGB	02/26	USD	696.79	-0.4	-5.7	1.3
Allianz Global Investors									
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Concentra AE	EU	EQ	DEU	03/11	EUR	51.84	0.1	61.7	-2.0
Industria AE	EU	EQ	DEU	03/11	EUR	71.96	1.7	50.4	-9.5
InternRent AE	EU	BD	DEU	03/11	EUR	37.41	6.2	6.3	10.9
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Fax No: 65-6835 8865, Website: www.cam.com.sg, Email: cam@cam.com.sg									
CAM-GTF Limited	AS	EQ	MUS	03/05	USD	304665.23	11.0	145.8	12.9

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INTERNATIONAL INVESTOR

Fitch may cut Vietnam rating

By Leigh Murray

Fitch Ratings warned it may cut Vietnam's credit ratings deeper into junk territory, citing weakening domestic confidence in the dong, and said balance-of-payment support is needed before trust can be restored.

Fitch put Vietnam's long-term foreign and local currency ratings of double-B-minus on negative watch. It also put its short-term foreign currency rating and country ceiling of double-B-minus on negative watch.

BOND MARKETS

The Fitch move is the latest sign of pressure on Vietnam's economy. Stronger economic growth is marred by surging inflation and a wide trade deficit. An interest-rate increase on Dec. 1 and two currency devaluations since November have done little to fix those problems.

Vietnam also stands in contrast with Indonesia, whose double-B-minus long-term foreign-currency rating was raised Friday by rival ratings firm Standard & Poor's Ratings Services to double-B. S&P cited the country's improving debt situation and growing foreign reserves.

In Vietnam, official data show gross international reserves have fallen to $15.9 billion in October 2009 from $23.6 billion in September 2008, Fitch said. It noted that more recent figures haven't been published.

The ratings firm also forecast that foreign-exchange reserves may decline to 2.6 months of imports and 1.6 months of current external payments this year—the lowest since 1994.

"The strength of Vietnam's external finance position, which has provided support to the sovereign's overall creditworthiness, has been sharply eroded as the economy displays signs of domestic overheating and residents lose confidence in the local currency," Ai Ling Ngiam, director in Fitch's Asia Sovereign team, said in a statement.

An official at the State Bank of Vietnam said he wasn't aware of the Fitch announcement and had no comment.

Black-market traders Friday were demanding a 4.2% premium for the U.S. dollar over the official dollar-dong exchange rate, underlining weak confidence in the Vietnamese currency. Fitch said the premium indicates continuing depreciation pressures on the dong.

But Prakriti Sofat, an analyst at Barclays Capital, said in a note that the Fitch move wasn't justified. He said that while the dong remains weak, he doesn't believe domestic confidence in the currency has deteriorated. He added that Vietnam's trade deficit has improved this year, its external debt is relatively healthy and the central bank has been moving to tighten policy.

"Given this backdrop we believe that Fitch rating outlook change to negative is hasty and short-sighted," he said.

S&P's upgrade of Indonesia, meanwhile, aligned its rating with that of Moody's Investors Service, which raised its rating by one notch to Ba2 in September. Fitch had upgraded its rating by one notch to double-B-plus in January.

Among Asian corporate borrowers, CLP Power Hong Kong Ltd., a wholly owned unit of Hong Kong power supplier **CLP Holdings** Ltd., priced a US$500 million, 10-year investment-grade bond to yield 4.8677%, people familiar with the deal said.

CLP Power, through its financing unit CLP Power Hong Kong Financing Ltd., paid a yield premium of 1.15 percentage points above comparable U.S. Treasurys. That is smaller than initial guidance of around 1.25 percentage points above Treasurys.

Japanese bonds

Yields on Japanese government bonds climbed Friday as stronger stock markets and a weaker yen cut into demand for safe-haven assets.

Analysts said that trend could continue next week even if Japan's central bank eases monetary policy further, as many observers expect.

The benchmark 10-year yield rose 0.025 percentage point to 1.34% after briefly hitting a near-three-week intraday high of 1.345%.

A report in the Nikkei newspaper added to speculation that the Bank of Japan may announce further easing measures after its two-day policy board meeting ends on Wednesday. The market's cool response was in part because such a BOJ move "has been more or less priced in already," following recent reports that the central bank was mulling such steps, said Naomi Hasegawa, senior fixed-income strategist at Mitsubishi UFJ Securities.

—Andrew Monahan

Will Fed change its tune? Bets mount that it will

By Howard Packowitz And Kejal Vyas

As Federal Reserve officials prepare for a policy meeting on Tuesday, some bond and options investors are betting that they will shed their commitment to keep interest rates low for an "extended period."

Investors are gambling a pickup in U.S. economic activity will convince the Fed to hint at plans to raise the key short-term fed funds rate later this year. The action has been spread across Eurodollar futures contracts, fed funds futures and Treasury notes, where trading and price moves all point to increased expectations for higher rates.

U.S. CREDIT MARKETS

In the Eurodollar market, trading in the June contract is pricing in higher short-term yields and lower prices at its expiry, implying expectations for some kind of policy tightening.

Put options outstanding on April, May and June contracts—which give the buyer the right, but not the obligation, to sell—jumped by almost 350,000 on Wednesday and Thursday, an unusually large number for two days. These options expire this year, though are based on next year's pricing, allowing holders to make money as rate expectations move higher.

"It might be that some expect a change in tone" at this week's meeting, said Alex Manzara, a veteran rate-futures broker at TJM Investment Strategies. Mr. Manzara, who trades on the floor of the Chicago Mercantile Exchange, said he anticipates these will be losing bets, as the Fed is likely to retain the "extended period" language.

Similar trades have cropped up time and again as the economy recovers, only to end up losing money.

That markets are betting on a change in the language points in part to the disconnect between Washington and Wall Street. Fed officials have been at pains to flag to the market that the language is unlikely to change at Tuesday's meeting. Many officials believe that the recovery is still fragile and they have little pressure from inflation.

The November fed-funds contract, essentially a gauge of interest-rate expectations, on Friday showed traders see a 96% chance that Fed policy makers will lift the fed funds rate to 0.5% at its November meeting, up from a 90% chance on Thursday's settlement and an 80% chance on Wednesday.

But the uncertainty over the Fed's stance and how markets may react to a change in the policy makers' language has kept some like Sean Simko, head of fixed-income management and portfolio manager at SEI, out of the market.

He said he expects Fed officials to paint a picture of an improving economy in their statement, but not to drop the "extended period" language.

—Min Zeng contributed to this article.

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
GAM Arbitrage Op	OT	OT	VGB	03/05	USD	1300.56	4.6	29.6	-5.8
GAM Asia Eq Hdg JPY Op	GL	EQ	VGB	03/08	JPY	14500.48	-6.6	70.7	2.6
GAM Asia Equity Hedge US	OT	OT	VGB	03/08	USD	271.06	-6.6	74.9	3.9
GAM Asia Equity USD	OT	OT	VGB	03/11	USD	645.54	-1.3	82.7	-6.0
GAM Asia-Pacific Eq USD	OT	OT	VGB	03/09	USD	1328.80	3.6	54.4	-9.6
GAM Com Glb Bal EUR Op	US	BA	VGB	03/08	EUR	97.83	1.1	28.3	-6.2
GAM Com Glb Bal USD Op	US	BA	VGB	03/08	USD	129.18	1.1	28.3	-6.2
GAM Comp Glb Eq EUR Op	GL	EQ	VGB	03/08	EUR	101.37	0.9	46.9	-10.8
GAM Comp Glb Eq USD Op	GL	EQ	VGB	03/08	USD	128.66	0.9	46.9	-10.8
GAM Comp Glb Gr EUR Op	US	BA	VGB	03/08	EUR	88.93	0.4	32.9	-9.4
GAM Comp Glb Gr USD Op	US	BA	VGB	03/08	USD	127.62	0.4	32.9	-9.4
GAM CompAbsRT EUR Op	OT	OT	VGB	09/30	EUR	141.71	9.1	0.1	-6.9
GAM CompAbsRT SGD Op	OT	OT	VGB	09/30	SGD	102.21	9.2	-0.1	-8.3
GAM CompAbsRT USD Op	OT	OT	VGB	09/30	USD	845.66	9.5	0.7	-7.0
GAM Cptal Apprec Eq Inc	US	EQ	VGB	03/05	USD	256.35	3.1	63.1	-4.9
GAM Cross Trading Inc	OT	OT	VGB	03/08	USD	460.97	-1.1	3.7	1.6
GAM Diversity CHF Op	OT	OT	VGB	03/08	CHF	94.50	0.2	3.8	-6.0
GAM Diversity EUR Op	OT	OT	VGB	03/08	EUR	650.43	0.3	4.4	-4.6
GAM Diversity USD 2.5XL	OT	OT	VGB	03/08	USD	78.58	0.4	8.4	-17.6
GAM Diversity USD Op	OT	OT	VGB	03/08	USD	683.13	0.3	4.6	-5.2
GAM Dvrsty II CHF Op	OT	OT	VGB	03/08	CHF	99.65	0.2	3.1	-5.7
GAM Dvrsty II EUR Op	OT	OT	VGB	03/08	EUR	139.08	0.2	3.5	-4.8
GAM Dvrsty II USD Op	OT	OT	VGB	03/08	USD	210.68	0.2	3.7	-5.1
GAM DvrstyIII EUR Op	OT	OT	VGB	03/08	EUR	115.79	0.2	3.4	-4.9
GAM DvrstyIII USD Op	OT	OT	VGB	03/08	USD	122.28	0.2	3.7	-5.1
GAM Euro Eq Hdg EUR Op	EU	EQ	VGB	03/08	EUR	223.19	2.0	16.8	-0.9
GAM Euro Eq Hdg USD Op	OT	OT	VGB	03/08	USD	207.03	1.8	18.0	0.7
GAM European Equity USD	OT	OT	VGB	03/10	USD	282.77	-3.6	54.2	-9.4
GAM GAMCO	OT	EQ	VGB	03/09	USD	852.06	5.1	95.2	-4.2
GAM Gb EmMkts Hdg EUROp	OT	OT	VGB	03/08	EUR	98.86	1.0	14.7	-14.9
GAM Gb EmMkts Hdg USDOp	OT	OT	VGB	03/08	USD	104.34	1.1	16.0	-14.1
GAM Gbl Divers USD Inc.	GL	EQ	VGB	03/08	USD	255.28	2.2	52.4	-3.4
GAM Grtr China Eq Hdg Op	GL	EQ	VGB	03/08	USD	269.27	-6.1	111.0	22.3
GAM Intrst Trend II	GL	BD	VGB	03/08	USD	108.29	15.0	90.0	-0.5
GAM Intrst Trend Inc	OT	OT	VGB	03/08	USD	288.46	14.7	110.5	1.3
GAM Japan Eq Hdg EUR Op	AS	EQ	VGB	03/08	EUR	125.31	7.4	27.7	1.8
GAM Japan Eq Hdg USD Op	OT	OT	VGB	03/08	USD	128.57	5.4	27.5	-11.9
GAM Japan Eq Hdg YEN Open	AS	EQ	VGB	03/08	JPY	8851.63	5.3	25.8	-11.0
GAM Japan USD	JP	EQ	VGB	03/11	USD	1172.84	6.4	45.1	-8.3
GAM Japan YEN	JP	EQ	VGB	03/11	JPY	9279.82	5.1	40.5	-12.7
GAM Money Mkt EuroOp	EU	MM	VGB	03/10	EUR	51.16	0.7	0.8	1.7
GAM Money Mkt USD	US	MM	VGB	03/10	USD	100.03	0.1	0.0	0.6
GAM Multi-Arb EUR Op	OT	OT	VGB	03/08	EUR	112.75	1.4	1.6	-7.3
GAM Multi-Arb USD Op	OT	OT	VGB	03/08	USD	117.64	1.4	1.8	-7.5
GAM Multi-China EUR Op	OT	OT	VGB	03/08	EUR	162.18	-3.4	8.5	-5.6
GAM Multi-China USD Op	OT	OT	VGB	03/08	USD	170.94	-3.2	9.3	-6.2
GAM Multi-Emer Mkts GBP	OT	OT	VGB	03/08	GBP	131.03	-0.4	25.4	-1.5
GAM Multi-Emer Mkts USD	OT	OT	VGB	03/08	USD	648.40	-0.4	25.5	-1.8
GAM Multi-Eur EUR Op	OT	OT	VGB	03/08	EUR	267.18	-0.6	4.7	-5.3
GAM Multi-Eur II EUR Op	OT	OT	VGB	03/08	EUR	137.48	-0.6	4.6	-5.4
GAM Multi-Eur II USD Op	OT	OT	VGB	03/08	USD	112.44	-0.6	4.6	-6.3
GAM Multi-Eur USD Op	OT	OT	VGB	03/08	USD	465.04	-0.6	4.6	-6.2
GAM Multi-Nth Am EUR Special	OT	OT	VGB	03/08	EUR	134.29	0.2	9.5	-1.6
GAM Multi-Nth Am USD Special	OT	OT	VGB	03/08	USD	218.47	0.2	9.7	-1.8
GAM Multi-Pac EUR Op	GL	EQ	VGB	03/08	EUR	140.85	-1.8	2.0	-3.2
GAM Multi-Pac USD Op	OT	OT	VGB	03/08	USD	162.73	-1.6	2.4	-3.4
GAM Portable Dvr/S&P500	OT	OT	VGB	08/24	USD	70.11	17.7	-27.7	-22.9
GAM Selection Hdg	US	EQ	VGB	03/05	USD	2749.93	4.2	72.4	11.2
GAM Sing/Malaysia	AS	EQ	VGB	03/11	USD	2524.81	0.0	79.1	-0.7
GAM Sterling Spe Bd Inc	OT	OT	VGB	03/08	GBP	240.86	4.7	54.0	7.1
GAM Trading EUR Inc	OT	OT	VGB	03/08	EUR	321.56	-1.1	3.3	2.3
GAM Trading USD Inc	OT	OT	VGB	03/08	USD	962.92	-1.0	3.7	1.6
GAM Trdg II IncEUR Op	OT	OT	VGB	03/08	EUR	137.57	-1.1	3.2	2.3
GAM Trdg II IncUSD Op	OT	OT	VGB	03/08	USD	312.66	-1.0	3.8	1.6
GAM Trdg IV IncEUR Op	OT	OT	VGB	03/08	EUR	145.11	-1.1	3.0	2.0
GAM Trdg IV IncUSD Op	OT	OT	VGB	03/08	USD	152.86	-1.1	3.5	1.5
GAM Trdg V IncEUR Op	OT	OT	VGB	03/08	EUR	123.02	-1.1	2.9	1.9
GAM Trdg V IncUSD Op	OT	OT	VGB	03/08	USD	128.25	-1.0	3.5	1.5
GAM TrdgIII IncEUR Op	OT	OT	VGB	03/08	EUR	155.15	-1.2	3.0	1.9
GAM TrdgIII IncUSD Op	OT	OT	VGB	03/08	USD	160.78	-1.1	3.5	1.5
GAM USDSpecBondInc	US	BD	VGB	03/08	USD	570.47	7.6	107.7	11.8
GAM Worldwide	GL	EQ	VGB	03/10	USD	2199.51	-1.2	57.2	-6.6
GAMut Investments	OT	OT	VGB	03/03	USD	7629.94	0.6	1.1	6.0

GAM Star Fund Plc

GAMStar-AsEqCHF Ord Ac	AS	EQ	IRL	03/10	CHF	11.19	1.4	67.6	-4.0
GAMStar-AsEqEUR Ord Ac	AS	EQ	IRL	03/10	EUR	12.27	3.0	71.7	0.2
GAMStar-AsEqGBP Ord Ac	AS	EQ	IRL	03/10	GBP	1.66	5.9	69.8	9.6
GAMStar-AsEqUSD Ord Ac	AS	EQ	IRL	03/10	USD	13.16	-1.9	85.0	-5.2
GAMStar-AsPacEqEUR Acc	AS	EQ	IRL	03/10	EUR	108.26	7.0	49.7	-2.3
GAMStar-AsPacEqEUR Inc	AS	EQ	IRL	03/10	EUR	104.77	7.0	49.7	-2.3
GAMStar-ContEurEqEUR Ac	EU	EQ	IRL	03/10	EUR	11.32	2.9	47.8	-1.1
GAMStar-EurpEqEUR Acc	EU	EQ	IRL	03/10	EUR	185.62	1.4	45.5	-4.4
GAMStar-EurpEqEUR Inc	EU	EQ	IRL	03/10	EUR	169.61	1.4	45.4	-4.4
GAMStar-EurpEqUSD Acc	EU	EQ	IRL	03/10	USD	15.46	-3.3	56.5	-9.2
GAMStar-EurpEqUSD Inc	EU	EQ	IRL	03/10	USD	14.02	-3.3	56.5	-9.2
GAMStar-FrontierOppUSD Acc	GL	EQ	IRL	03/09	USD	5.69	3.8	50.5	NS
GAMStar-JpnEq EUR Acc	JP	EQ	IRL	03/10	EUR	94.89	7.9	43.3	-2.1
GAMStar-JpnEq EUR Inc	JP	EQ	IRL	03/10	EUR	94.89	7.9	43.3	-2.1
GAMStar-JpnEq JPY Acc	JP	EQ	IRL	03/10	JPY	958.01	4.0	43.6	-12.5
GAMStar-JpnEq USD Acc	JP	EQ	IRL	03/10	USD	11.69	5.2	49.1	-9.2
GAMStar-World EqUSD Acc	GL	EQ	IRL	03/10	USD	2215.09	-1.0	58.2	-6.1

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American Growth	US	EQ	LUX	03/12	USD	15.63	1.9	57.4	-6.2
American Growth AA	US	EQ	LUX	03/12	USD	0.90	1.8	56.9	-5.4
Asian Equity	AS	EQ	LUX	03/12	USD	2.42	-1.4	80.4	-4.2
Asian Equity AA	AS	EQ	LUX	03/12	USD	0.78	-1.5	79.8	-4.5
Asian Sm Cap Equity AA	AS	EQ	LUX	03/12	USD	1.18	2.4	123.3	3.2
China Value A	AS	EQ	LUX	03/12	USD	6.86	-3.3	71.2	-0.3
China Value AA	AS	EQ	LUX	03/12	USD	2.16	-3.3	70.8	-0.6
Dragon Growth	AS	EQ	LUX	03/12	USD	1.61	-1.6	78.0	-2.4
Dragon Growth AA	OT	OT	LUX	03/12	HKD	7.84	-1.6	77.5	-3.1
Emg Eastrn Europe A	EU	EQ	LUX	03/12	USD	4.77	2.4	124.8	-12.3
Emg Eastrn Europe AA	EU	EQ	LUX	03/12	USD	2.05	2.4	124.5	-12.5
European Growth	EU	EQ	LUX	03/12	USD	9.01	-3.1	75.0	-14.8
European Growth AA	EU	EQ	LUX	03/12	USD	0.64	-3.2	74.6	-15.0
Global Contrarain AA	GL	EQ	LUX	03/12	USD	0.94	5.8	124.2	NS
Global Property AA	OT	EQ	LUX	03/12	USD	0.69	2.1	96.8	-8.1
Global Resources AA	OT	EQ	LUX	03/12	USD	1.08	-0.5	67.9	-13.5
Healthcare AA	OT	EQ	LUX	03/12	USD	1.00	5.0	41.5	NS
India Equity AA	EA	EQ	LUX	03/12	USD	1.09	-1.3	113.4	-6.4
International Growth	GL	EQ	LUX	03/12	USD	3.09	0.6	51.3	-10.8
International Growth AA	GL	EQ	LUX	03/12	USD	0.72	0.6	50.9	-11.0
Japanese Growth	JP	EQ	LUX	03/12	USD	2.85	2.7	44.0	-8.2
Japanese Growth AA	JP	EQ	LUX	03/12	USD	0.75	3.4	44.6	-8.1
Latin America Equity AA	GL	EQ	LUX	03/12	USD	1.30	0.5	118.2	-1.9
Manulife GF Strategic Income Fund AA	OT	OT	NA	03/12	USD	1.04	3.2	NS	NS
MGF Asia Value Dividend Equity Fund	OT	OT	Lux	03/12	USD	1.15	1.4	NS	NS
Russia Equity AA	EE	EQ	LUX	03/12	USD	0.70	9.0	146.3	-16.3
Taiwan Equity AA	AS	EQ	LUX	03/12	USD	1.02	-5.8	78.8	-3.0
Turkey Equity AA	EE	EQ	LUX	03/12	USD	0.76	-1.8	163.3	0.1
U.S. Bond AA	US	BD	LUX	03/12	USD	1.14	2.6	21.5	8.6
U.S. Sm Cap Equity AA	US	EQ	LUX	03/12	USD	0.94	13.7	110.8	0.6
U.S. Special Opportunities	OT	OT	LUX	03/12	USD	0.91	12.0	125.3	12.3
U.S. Tsy Inf-ProtSec AA	OT	BD	LUX	03/12	USD	1.14	0.2	11.5	0.1

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Indonesian Grth Fund	EA	EQ	CYM	03/10	USD	136.35	7.1	158.8	0.3

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Asia Value Formula Fd-B	AS	EQ	CYM	03/11	USD	8.13	1.4	106.9	-0.6

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Bonds Eur Hi Yld A	OT	OT	LUX	03/10	EUR	21.65	5.2	68.6	6.4
Bonds EURO A	OT	OT	LUX	03/11	EUR	41.57	1.3	5.6	4.7
Bonds EUROPE A	OT	OT	LUX	03/11	EUR	39.57	1.2	4.4	4.0
Bonds US OppsCoreplus A	OT	OT	LUX	03/10	USD	37.46	1.5	18.4	8.3
Bonds World A	OT	OT	LUX	03/11	USD	41.58	-1.0	12.9	2.1
Eq. AsiaPac Dual Strategies A	OT	OT	LUX	03/11	USD	10.28	-1.3	87.6	-3.8
Eq. China A	AS	EQ	LUX	03/11	USD	22.82	-5.4	69.9	-5.9
Eq. Concentrated Euroland A	OT	OT	LUX	03/11	EUR	92.50	-0.5	43.3	-10.8
Eq. ConcentratedEuropeA	EU	EQ	LUX	03/11	EUR	26.87	-0.5	52.4	-10.6
Eq. Emerging Europe A	OT	OT	LUX	03/11	EUR	25.62	8.8	105.8	-17.0
Eq. Euroland A	EU	EQ	LUX	03/11	EUR	10.82	-0.1	47.6	-11.7
Eq. Euroland Small Cap A	OT	OT	LUX	03/10	EUR	147.37	4.4	62.6	-3.7
Eq. EurolandCyclclsA	EU	EQ	LUX	03/11	EUR	18.26	2.6	48.1	-7.0
Eq. EurolandFinancialA	OT	EQ	LUX	03/10	EUR	10.95	-3.2	96.2	-13.3
Eq. Glbl Emg Cty A	GL	EQ	LUX	03/11	USD	9.30	-3.9	74.8	-12.4
Eq. Global A	GL	EQ	LUX	03/11	USD	28.21	1.3	64.6	-8.2
Eq. Global Energy A	OT	EQ	LUX	03/10	USD	17.94	-1.1	43.6	-13.6
Eq. Global Resources A	OT	OT	LUX	03/11	USD	108.82	-0.3	68.2	-13.4
Eq. Gold Mines A	OT	EQ	LUX	03/10	USD	29.97	-1.1	58.5	-5.6
Eq. India A	OT	OT	LUX	03/11	USD	129.82	-0.7	113.9	-6.3
Eq. Japan CoreAlpha A	OT	OT	LUX	03/11	JPY	7632.11	5.2	44.4	-3.5
Eq. Latin America A	OT	OT	LUX	03/10	USD	115.58	-0.6	100.7	-7.4
Eq. US Lg Cap Gr A	US	EQ	LUX	03/11	USD	15.67	2.7	58.5	-5.7
Eq. US Rel Val A	US	EQ	LUX	03/10	USD	21.16	2.7	70.4	-7.8
Eq. US Sm Cap Val A	US	EQ	LUX	03/11	USD	17.13	7.4	79.9	-10.6
Money Market EURO A	EU	MM	LUX	03/10	EUR	27.41	0.1	0.6	2.3
Money Market USD A	US	MM	LUX	03/10	USD	15.83	0.0	0.3	1.3

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TNI Mena Real Estate Fund	OT	OT	BMU	03/04	USD	887.13	-7.7	2.4	-32.3
TNI MENA Special Sits Fund	OT	OT	BMU	02/28	USD	1109.04	2.8	16.0	NS
TNI UAE Blue Chip Fund	OT	OT	ARE	03/04	AED	4.76	-10.6	9.7	-37.1

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Intel-Chin MainInd Foc	AS	EQ	CYM	02/26	USD	28.68	-3.9	76.4	6.4
Intel-China Converg*	AS	EQ	CYM	02/26	USD	109.61	-3.9	76.5	4.4
VP Classic - A	AS	EQ	CYM	03/11	USD	186.67	0.1	91.8	4.0
VP Classic - B	AS	EQ	CYM	03/11	USD	86.92	0.0	90.8	3.5
VP High Dividend Stk	AS	EQ	CYM	03/08	USD	46.67	2.7	100.9	6.3

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YMR-N Series

YMR-N Growth Fund	OT	OT	IRL	03/11	JPY	9336.00	-1.3	33.0	-15.3
YMR-N Small Cap Fund	OT	OT	IRL	03/11	JPY	6731.00	-4.0	26.1	-15.7

Yuki 77 Series

Yuki 77 General	JP	EQ	IRL	03/11	JPY	6007.00	-2.3	25.0	-19.1
Yuki 77 Growth	JP	EQ	IRL	03/11	JPY	5500.00	-2.5	16.0	-23.1

Yuki Chugoku Series

Yuki Chugoku Jpn Gen	JP	EQ	IRL	03/11	JPY	6832.00	0.1	32.4	-14.7
Yuki Chugoku JpnLowP	JP	EQ	IRL	03/11	JPY	7919.00	5.0	24.4	-13.2

Yuki Hokuyo Japan Series

Yuki Hokuyo Jpn Gen	JP	EQ	IRL	03/11	JPY	4681.00	0.2	27.9	-19.0
Yuki Hokuyo Jpn Inc	JP	EQ	IRL	03/11	JPY	5376.00	2.4	29.4	-13.2
Yuki Hokuyo Jpn Sm Cap	JP	EQ	IRL	03/11	JPY	4865.00	-4.7	23.5	-16.0

Yuki Mizuho Series

Yuki Mizuho Gen Jpn III	OT	OT	IRL	03/11	JPY	4330.00	-2.0	26.5	-23.4
Yuki Mizuho Jpn Dyn Gro	OT	OT	IRL	03/11	JPY	4562.00	-2.2	26.2	-23.3
Yuki Mizuho Jpn Exc 100	OT	OT	IRL	03/11	JPY	6821.00	-2.2	34.4	-17.8
Yuki Mizuho Jpn Gen	OT	OT	IRL	03/11	JPY	8592.00	-0.3	30.7	-14.8
Yuki Mizuho Jpn Gro	OT	OT	IRL	03/11	JPY	6238.00	-1.9	23.5	-17.7
Yuki Mizuho Jpn Inc	OT	OT	IRL	03/11	JPY	7752.00	1.5	18.6	-16.6
Yuki Mizuho Jpn Lg Cap	OT	OT	IRL	03/11	JPY	5204.00	0.3	30.5	-16.3
Yuki Mizuho Jpn LowP	OT	OT	IRL	03/11	JPY	11803.00	2.1	32.2	-11.1
Yuki Mizuho Jpn PGth	OT	OT	IRL	03/11	JPY	7686.00	-3.4	23.5	-20.3
Yuki Mizuho Jpn SmCp	OT	OT	IRL	03/11	JPY	6720.00	-5.8	30.3	-17.3
Yuki Mizuho Jpn Val Sel	OT	OT	IRL	03/11	JPY	5703.00	1.0	31.3	-13.2
Yuki Mizuho Jpn YoungCo	OT	OT	IRL	03/11	JPY	2605.00	-4.4	28.2	-22.3

Yuki Shizuoka Japan Series

Yuki Shizuoka General Japan	JP	EQ	IRL	03/11	JPY	5428.00	0.1	30.7	-16.0

For information about listing your funds, please contact: Carson Wong tel: +852 2831-6481; email: carson.wong@dowjones.com

Major players & benchmarks

At right, a look at the Asia Titans, the biggest and best known companies in Asia. Below, some of the Dow Jones Titans indexes of biggest and most liquid stocks in individual countries and regions

Giants around the world

In U.S.-dollar terms.

Dow Jones Country Titans

	INDEX PERFORMANCE Previous session	Year-to-date	52-week
Sweden	0.96%	7.7%	62.4%
Switzerland	0.11	4.8	54.8
Netherlands	0.12	3.7	70.1
U.K.	0.07	3.6	51.0
Japan	0.64	3.1	32.8
Canada	0.41	1.7	40.4
South Africa	1.22	1.4	31.1
Australia	0.16	0.1	42.4
Russia	0.95	unch.	63.9
France	-0.03	-0.5%	47.1
Germany	0.25	-0.8	43.3
Singapore	0.31	-0.9	85.5
Hong Kong	0.08	-2.2	56.7
Italy	0.18	-2.3	66.8
South Korea	0.20	-2.8	49.5
Turkey	-0.34	-3.3	114.7
Brazil	-0.66	-3.3	102.1
Spain	0.32	-5.1	40.9
China 88	-1.28	-10.9	38.8

Dow Jones Regional Sector Titans

Travel Leisure	0.50%	7.6%	58.1%
Ind Gds Svcs	0.82	6.7	80.1
Arab 50	0.10	5.8	37.0
Pers H'hold Gds	0.18	5.1	49.1
Retail	0.44	4.1	50.8
Media	0.41	3.0	66.9
Asian 50	0.33	2.4	61.4
Real Estate	0.72	2.0	77.6
Global 50	0.16	-1.3%	44.9
Tiger 50*	0.13	-3.1	74.7

*Asia excluding Japan

Source: Dow Jones Indexes

Dow Jones Asia Titans: Friday's best and worst...

Company	Country	Industry	Market value, in billions of US$	Previous close, in local currency	STOCK PERFORMANCE Previous session	52-week	Three-year
Nissan Motor	Japan	Automobiles	$34.2	764.00	2.41%	123.4%	-40.5%
Shin-Etsu Chml	Japan	Specialty Chemicals	24.3	5,210	2.16	15.0	-25.0
Sumitomo Mitsui Finl	Japan	Banks	43.4	2,930	1.74	2.8	-72.4
Seven I Hldgs	Japan	Broadline Retailers	20.4	2,053	1.63	5.3	-41.2
Takeda Pharm	Japan	Pharmaceuticals	35.9	4,135	1.47	24.9	-45.3
Sony	Japan	Consumer Electronics	$37.0	3,380	-1.74%	78.6	-43.7
Shinhan Financial Grp	South Korea	Banks	18.5	44,000	-1.12	96.4	-14.6
Taiwan Smcndtr Mfg	Taiwan	Semiconductors	49.7	60.80	-0.98	23.4	-10.6
BHP Billiton	Australia	General Mining	131.7	42.85	-0.37	35.3	54.1
Westpac Bking	Australia	Banks	71.7	26.90	-0.37	58.7	4.4

...And the rest of Asia's blue chips

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
Sun Hung Kai Prop Hong Kong (Real Estate Holding Development)	38.4	116.10	1.40%	85.5%	33.4%
Mitsubishi UFJ Finl Japan (Banks)	71.4	467.00	1.30	11.5	-64.4
JFE Hldgs Japan (Iron Steel)	20.4	3,505	1.15	74.8	-50.2
Mizuho Financial Grp Japan (Banks)	29.2	189.00	1.07	5.6	-74.9
East Japan Railway Japan (Travel Tourism)	26.9	6,190	0.98	24.1	-32.6
Honda Motor Japan (Automobiles)	66.3	3,300	0.92	48.7	-19.3
Nippon Steel Japan (Iron Steel)	23.7	343.00	0.88	42.3	-59.0
Aus NZ Bk Australia (Banks)	55.7	24.26	0.83	79.8	-16.2
CNOOC Hong Kong (Exploration Production)	74.2	12.88	0.78	80.9	104.8
Tokio Marine Hldgs Japan (Property Casualty Insurance)	22.1	2,553	0.71	30.3	-36.8
NTT DoCoMo Japan (Mobile Telecommunications)	63.9	139,300	0.65	3.0	-33.0
National Australia Bk Australia (Banks)	51.7	26.90	0.56	51.3	-33.0
RioZim Ltd Australia (General Mining)	42.2	75.96	0.54	85.0	30.6
PetroChina Hong Kong (Integrated Oil Gas)	25.2	9.25	0.54	60.9	6.8
POSCO South Korea (Iron Steel)	37.6	558,000	0.54	59.4	45.7
Mitsui Japan (Industrial Suppliers)	30.9	1,553	0.52	87.8	-25.3
Cheung Kong Hong Kong (Real Estate Holding Development)	29.4	98.55	0.51	56.9	6.8
Woolworths Australia (Food Retailers Wholesalers)	32.1	28.50	0.49	16.0	2.7
QBE Ins Grp Australia (Reinsurance)	19.9	21.15	0.43	25.4	-31.7
Toyota Motor Japan (Automobiles)	120.3	3,475	0.43	18.2	-54.3

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
KDDI Japan (Mobile Telecommunications)	23.2	476,000	0.42%	8.7%	-46.5%
Indl Comm Bk China Hong Kong (Banks)	62.6	5.85	0.34	74.6	38.0
Woodside Petroleum Australia (Exploration Production)	29.9	45.41	0.31	20.2	25.8
Canon Japan (Electronic Office Equipment)	54.9	4,045	0.25	63.4	-35.4
KB Fncl Group South Korea (Banks)	17.7	52,000	0.19	69.2	-35.2
Westfield Grp Australia (Retail REITs)	25.4	12.02	0.17	17.8	-41.9
Mitsubishi Japan (Industrial Suppliers)	42.4	2,351	0.17	105.0	-12.4
Panasonic Japan (Consumer Electronics)	30.5	1,342	0.15	27.1	-42.7
Commonwlth Bk of Aus Australia (Banks)	77.8	55.88	0.14	84.7	13.9
China Mobile (HK) Hong Kong (Mobile Telecommunications)	193.4	75.45	0.13	11.5	8.1
Japan Tobacco Japan (Tobacco)	35.0	332,000	...	49.0	-39.5
Nippon T&T Japan (Fixed Line Telecommunications)	56.6	3,890	...	10.8	-34.6
Samsung Elec South Korea (Semiconductors)	101.8	778,000	...	47.4	32.1
Hon Hai Precision Ind Taiwan (Electrical Components Equipment)	37.0	137.50	...	122.7	0.8
China Life Ins Hong Kong (Life Insurance)	35.0	36.45	...	53.8	73.6
China Constr Bk Hong Kong (Banks)	179.3	6.19	...	51.7	42.3
Tokyo Elec Power Japan (Conventional Electricity)	36.0	2,425	-0.21	...	-40.7
Kansai Elec Power Japan (Conventional Electricity)	22.2	2,113	-0.24	2.3	-41.5
Nintendo Japan (Toys)	39.0	27,700	-0.29	-4.0	-16.9
Hutchison Whampoa Hong Kong (Diversified Industrials)	31.3	56.95	-0.35	47.4	-21.2

Sources: Dow Jones Indexes; WSJ Market Data Group

Tracking credit markets & dealmakers

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Hedge funds

Dow Jones Hedge Benchmark	TOTAL RETURN for rolling periods, net of fees* One week	One month	One quarter	Year to date	One year
Merger Arbitrage	0.44%	2.32%	1.1%	0.4%	5.9%
Event Driven	0.72	2.74	2.2	1.5	14.8
Equity Long/Short	1.29	3.48	4.6	2.9	8.2

*Estimates as of 03/11/10, after fees; Source: www.djhedgefundindexes.com

Credit derivatives

Spreads on credit derivatives are one way the market rates creditworthiness. Regions that are treading in rough waters can see spreads swing toward the maximum—and vice versa. Indexes below are for five-year swaps.

Markit iTraxx Indexes

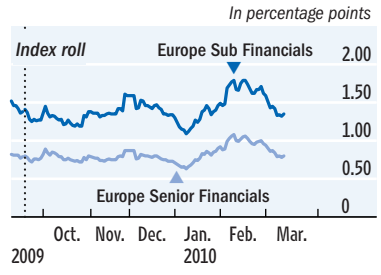
Index: series/version	Mid-spread, in pct. pts.	Mid-price	Coupon	SPREAD RANGE, in pct. pts. since most recent roll Maximum	Minimum	Average
Europe: 12/1	0.75	101.11%	0.01%	1.00	0.65	0.83
Eur. High Volatility: 12/1	1.11	99.51	0.01	1.76	0.92	1.29
Europe Crossover: 12/1	4.16	103.30	0.05	6.15	3.79	4.89
Asia ex-Japan IG: 12/1	0.93	100.33	0.01	1.34	0.87	1.07
Japan: 12/1	1.22	98.98	0.01	1.68	0.99	1.36

Note: Data as of March 11

Spreads

Spreads on five-year swaps for corporate debt; based on Markit iTraxx indexes.

In percentage points



Source: Markit Group

Credit-default swaps: Asian companies

At its most basic, the pricing of credit-default swaps measures how much a buyer has to pay to purchase-and how much a seller demands to sell-protection from default on an issuer's debt. The snapshot below gives a sense which way the market was moving yesterday.

Showing the biggest improvement...

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Softbank	284	-10	-21	-34
Kawasaki Kisen Kaisha	189	-6	-31	-50
Shin Han Bk	106	-6	-16	-28
IHI	261	-5	-44	-58
Nomura Secs	130	-5	-23	-31
Korea Dev	86	-4	-25	-38
Aeon	142	-4	-29	-42
Indl Bk Korea	91	-4	-23	-34
Socialist Rep Vietnam	230	-4	-36	-45
Petroliam Nasional BHD Petronas	69	-4	-19	-36

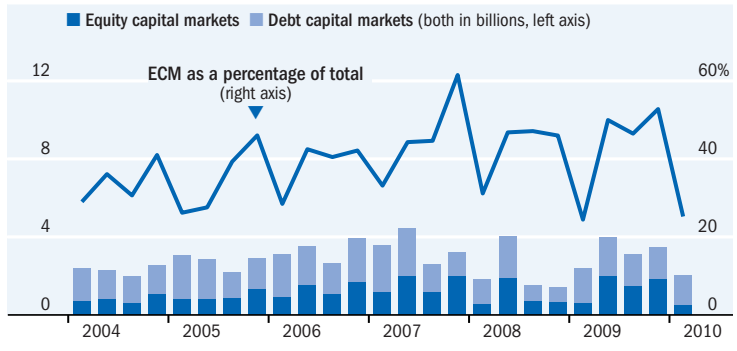
And the most deterioration

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Fujitsu	61	2	-2	-19
Orix	282	3	-10	-18
Sony	54	3	-7	-26
Korea Expwy	60	3	-14	-39
Korea Dep Ins	63	4	-19	-32
Chartered Semicon Mfg	146	4	-6	-15
Kintetsu	108	4	4	7
Acom	299	16	3	8
Sanyo Shinpan Fin	703	28	6	53
Promise	705	32	8	45

Source: Markit Group

Europe, Middle East & Africa: Bank revenues from equity capital markets

Behind every IPO, follow-on or convertible equity offering is one or more investment banks. At right, investment banks historical and year-to-date revenues from global equity-capital-market (ECM) deals

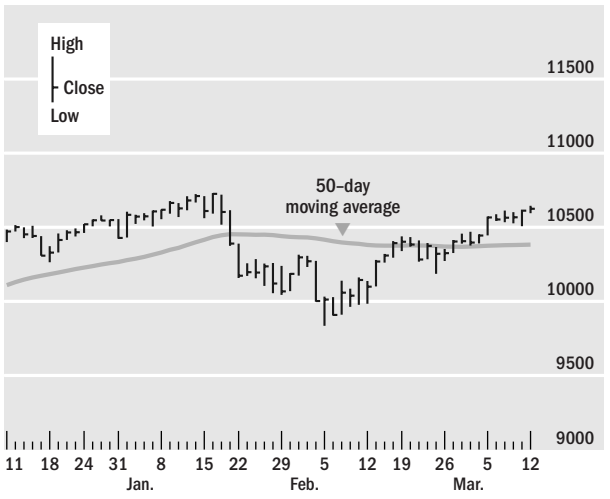


Source: Dealogic

SCANNING THE GLOBE

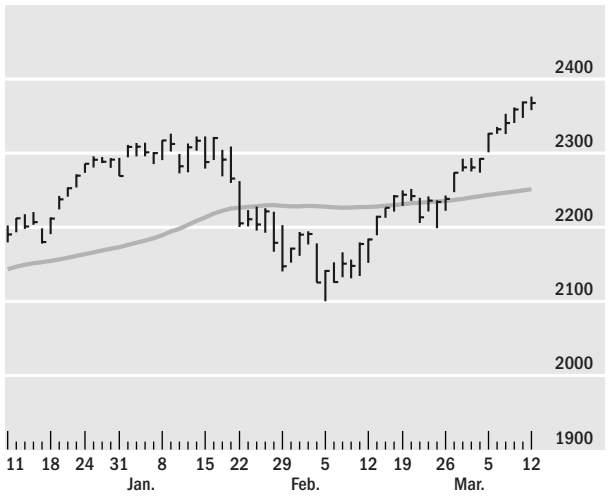
Dow Jones Industrial Average P/E: 17

LAST: **10624.69** ▲ 12.85, or 0.12%
YEAR TO DATE: ▲ **196.64, or 1.9%**
OVER 52 WEEKS ▲ **3,400.71, or 47.1%**



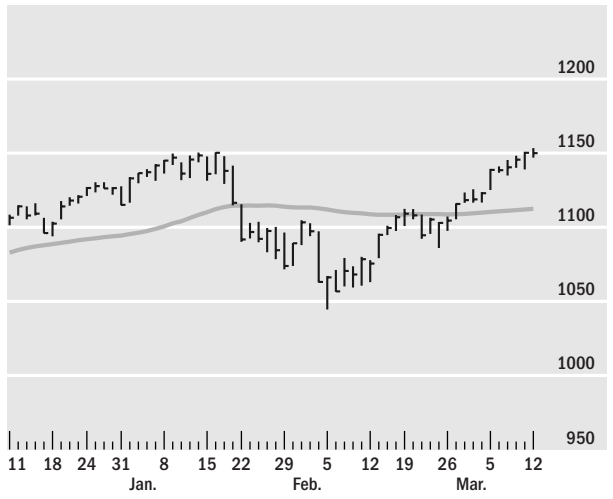
Nasdaq Composite Index P/E: 16*

LAST: **2367.66** ▼ 0.80, or 0.03%
YEAR TO DATE: ▲ **98.51, or 4.3%**
OVER 52 WEEKS ▲ **936.16, or 65.4%**



S&P 500 Index P/E: 23

LAST: **1149.99** ▼ 0.25, or 0.02%
YEAR TO DATE: ▲ **34.89, or 3.1%**
OVER 52 WEEKS ▲ **393.44, or 52.0%**



*Price-to-earnings ratio for the Nasdaq 100 Note: Price-to-earnings ratios are for trailing 12 months

Sources: WSJ Market Data Group; Birinyi Associates

DJIA component stocks

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
AT&T	T	**16.60**	$25.62	0.02	**0.08%**
Alcoa	AA	**27.40**	13.60	-0.04	**-0.29**
AmExpress	AXP	**8.90**	40.76	0.65	**1.62**
BankAm	BAC	**165.30**	16.85	-0.27	**-1.58**
Boeing	BA	**5.20**	69.83	-0.24	**-0.34**
Caterpillar	CAT	**9.40**	60.36	1.46	**2.48**
Chevron	CVX	**7.30**	73.72	-0.27	**-0.36**
CiscoSys	CSCO	**29.60**	25.88	-0.09	**-0.35**
CocaCola	KO	**9.90**	53.35	-0.25	**-0.47**
Disney	DIS	**9.30**	33.69	-0.12	**-0.35**
DuPont	DD	**5.80**	35.49	0.14	**0.40**
ExxonMobil	XOM	**21.30**	66.80	-0.42	**-0.62**
GenElec	GE	**107.00**	17.04	0.56	**3.40**
HewlettPk	HPQ	**11.20**	52.36	0.34	**0.65**
HomeDpt	HD	**13.70**	32.45	0.32	**1.00**
Intel	INTC	**37.90**	21.27	0.02	**0.09**
IBM	IBM	**5.00**	127.94	0.34	**0.27**
JPMorgChas	JPM	**29.90**	43.15	-0.03	**-0.07**
JohnsJohns	JNJ	**7.90**	64.18	-0.04	**-0.06**
KftFoods	KFT	**7.80**	29.45	0.03	**0.10**
McDonalds	MCD	**6.00**	65.53	0.32	**0.49**
Merck	MRK	**15.80**	37.16	0.28	**0.76**
Microsoft	MSFT	**30.00**	29.27	0.09	**0.31**
Pfizer	PFE	**83.20**	17.08	-0.21	**-1.21**
ProctGamb	PG	**7.70**	63.32	0.15	**0.24**
3M	MMM	**2.80**	81.38	0.12	**0.15**
TravelersCos	TRV	**4.20**	53.16	-0.46	**-0.86**
UnitedTech	UTX	**5.60**	71.53	-0.51	**-0.71**
Verizon	VZ	**10.60**	29.73	-0.11	**-0.37**
WalMart	WMT	**9.90**	53.90	-0.07	**-0.13**

U.S. stocks: most active...

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
Citigroup	C	**1,277.0**	$3.97	–$0.21	**–5.02%**
BankAm	BAC	**171.2**	16.85	–0.27	**–1.58**
SPDR S&P 500	SPY	**161.8**	115.46	0.01	**0.01**
GenElec	GE	**112.5**	17.04	0.56	**3.40**
SiriusXM	SIRI	**107.0**	0.91	0.00	**–0.01**
FordMotor	F	**104.7**	13.34	0.43	**3.33**
SPDR FnclSelSct	XLF	**101.7**	15.54	–0.06	**–0.38**
Pfizer	PFE	**85.3**	17.08	–0.21	**–1.21**
DrxFinancBear 3x	FAZ	**65.9**	14.65	0.01	**0.07**
PwrShrs QQQ	QQQQ	**64.0**	47.36	0.01	**0.02**
iShrRu2000	IWM	**61.9**	67.72	–0.03	**–0.04**
iShrMSCIEmrgMkt	EEM	**48.9**	41.37	–0.14	**–0.34**
SprintNextel	S	**41.6**	3.60	–0.10	**–2.70**
Intel	INTC	**39.6**	21.27	0.02	**0.09**
WellsFargo	WFC	**36.7**	29.63	–0.13	**–0.44**

Biggest gainers...

MaineMartimes	MAM	**73.6**	$42.93	$10.93	**34.16%**
Quiksilver	ZQK	**15,749.9**	4.04	0.93	**29.90**
PhotoMedex	PHMD	**9.2**	10.93	1.68	**18.16**
ATA	ATAI	**466.4**	4.53	0.68	**17.66**
WirlsRoninTch	RNIN	**22.9**	2.57	0.37	**16.82**

...Biggest losers

BroadWindEng	BWEN	**7,823.0**	$4.47	-$1.21	**-21.30%**
CytoriThera	CYTX	**5,683.1**	6.02	-1.48	**-19.73**
AcornIntl	ATV	**1,257.4**	5.40	-1.06	**-16.41**
CaroltnBcp	CRRB	**18.2**	5.20	-1.01	**-16.26**
NE Bcp	NBN	**8.7**	12.80	-2.48	**-16.23**

ADRs of Asian companies*

52-WEEK High	52-WEEK Low	Stock	Symbol	Volume, in OOOs	Latest	CHANGE Points	CHANGE Percentage
$11.69	$7.89	**Taiwan Semi**	TSM	**12,261.9**	$10.33	-0.17	**-1.62%**
4.24	1.94	**Utd Microelectronics**	UMC	**5,138.0**	3.63	0.01	**0.28**
6.84	3.94	**Mitsu UFJ Fnl**	MTU	**4,735.9**	5.21	0.06	**1.17**
13.30	6.82	**AU Optrncs**	AUO	**2,400.0**	11.03	0.10	**0.91**
82.74	38.73	**BHP Billiton**	BHP	**2,070.0**	78.45	-0.05	**-0.06**
15.95	9.46	**China Unicom**	CHU	**1,601.1**	12.17	-0.09	**-0.73**
8.19	5.12	**Siliconware Prec Ind**	SPIL	**1,497.5**	6.04	-0.06	**-0.98**
60.08	24.30	**Infosys Tech**	INFY	**1,408.4**	59.12	-0.85	**-1.42**
59.22	40.20	**China Mobile**	CHL	**1,135.0**	48.51	-0.38	**-0.78**
91.97	57.80	**Toyota Motor**	TM	**814.6**	76.99	0.05	**0.06**
38.19	17.76	**Sony**	SNE	**772.9**	37.34	-0.83	**-2.17**
21.22	16.87	**ChunghwaTel**	CHT	**606.1**	19.22	0.01	**0.05**
18.64	13.81	**SK Telecom**	SKM	**542.6**	17.78	0.04	**0.23**
9.50	4.53	**Nomura Hldgs**	NMR	**454.4**	7.45	0.21	**2.90**
135.92	69.45	**PetroChina**	PTR	**454.1**	118.87	-0.77	**-0.64**
21.78	12.81	**KT Corp**	KT	**391.2**	20.69	0.19	**0.93**
9.82	5.80	**Telecom Corp of NZ**	NZT	**309.2**	7.90	-0.06	**-0.75**
34.27	12.40	**Aluminum Cp of China**	ACH	**308.0**	26.00	0.12	**0.46**
5.23	2.10	**Adv Semi Engrg**	ASX	**301.0**	4.28	-0.02	**-0.47**
18.20	8.73	**Korea Elec Pwr**	KEP	**289.5**	16.95	-0.03	**-0.18**
150.50	57.17	**POSCO**	PKX	**284.3**	123.22	-0.60	**-0.48**
81.00	42.90	**China Life Ins**	LFC	**269.3**	70.45	-0.07	**-0.10**
41.87	20.71	**Telekom Indonesia**	TLK	**262.3**	37.06	-0.74	**-1.96**
37.23	21.28	**Honda Motor**	HMC	**239.6**	36.60	0.28	**0.77**
25.65	5.96	**Yanzhou Coal Mining**	YZC	**233.0**	22.39	0.27	**1.22**
17.19	10.60	**Matsushita Elec**	PC	**225.0**	14.93	0.17	**1.15**
171.59	86.94	**CNOOC**	CEO	**203.5**	165.20	-1.18	**-0.71**
7.74	2.00	**Alumina**	AWC	**196.8**	6.10	0.05	**0.83**
24.09	17.71	**NTT**	NTT	**172.2**	21.54	0.03	**0.14**
44.92	23.10	**Canon**	CAJ	**153.5**	44.85	0.05	**0.11**

*Most active American depositary receipts tracked by Dow Jones

Source: WSJ Market Data Group

Global government bonds

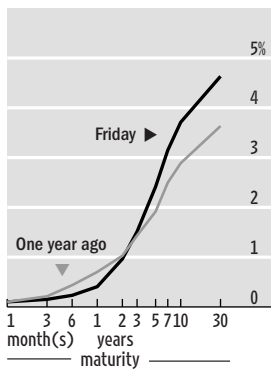
Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 11 a.m. ET

Coupon	Country/ Maturity, in years	Yield	SPREAD OVER TREASURYS, in basis points: Latest	Previous	Month ago	Year ago	YIELD: Previous	Month ago	Year ago
5.750%	**Australia** 2	**4.875%**	**391.1**	396.2	360.8	**172.5**	**4.905%**	4.447%	**2.739%**
4.500	10	**5.680**	**197.6**	194.7	181.1	**160.7**	**5.688**	5.459	**4.471**
5.000	**Austria** 2	**1.337**	**37.3**	41.3	75.9	**26.4**	**1.356**	1.598	**1.278**
3.900	10	**3.556**	**-14.8**	-17.6	3.2	**136.9**	**3.565**	3.680	**4.233**
2.000	**Belgium** 2	**1.163**	**19.9**	22.8	60.6	**18.7**	**1.171**	1.445	**1.201**
3.750	10	**3.684**	**-2.0**	-6.9	12.6	**116.3**	**3.672**	3.774	**4.027**
1.500	**Canada** 2	**1.588**	**62.4**	59.8	29.3	**-1.2**	**1.541**	1.132	**1.002**
3.750	10	**3.551**	**-15.3**	-20.0	-26.4	**6.5**	**3.541**	3.384	**2.929**
4.000	**Denmark** 2	**1.727**	**76.3**	77.1	97.8	**110.4**	**1.714**	1.817	**2.118**
4.000	10	**3.448**	**-25.6**	-28.1	-15.5	**55.2**	**3.460**	3.493	**3.416**
3.750	**France** 2	**1.056**	**9.2**	2.7	31.1	**52.6**	**0.970**	1.150	**1.540**
3.500	10	**3.473**	**-23.1**	-25.8	-14.9	**78.4**	**3.483**	3.499	**3.648**
1.250	**Germany** 2	**0.963**	**-0.1**	0.0	18.4	**33.9**	**0.943**	1.023	**1.353**
3.250	10	**3.171**	**-53.3**	-56.0	-47.5	**14.7**	**3.181**	3.173	**3.011**
0.640	**Hong Kong** 2	**0.772**	**-19.2**	-17.7	-27.6	**-18.7**	**0.766**	0.563	**0.827**
2.160	10	**2.927**	**-77.7**	-80.9	-73.0	**-89.2**	**2.932**	2.918	**1.972**
5.000	**Italy** 2	**1.457**	**49.3**	49.7	156.1	**111.4**	**1.440**	2.400	**2.128**
4.250	10	**3.952**	**24.8**	20.6	43.9	**165.3**	**3.947**	4.087	**4.517**
0.200	**Japan** 2	**0.150**	**-81.4**	-79.3	-67.4	**-60.4**	**0.150**	0.165	**0.410**
1.400	10	**1.350**	**-235.4**	-241.4	-230.1	**-155.3**	**1.327**	1.347	**1.311**
2.500	**Netherlands** 2	**0.997**	**3.3**	4.6	30.2	**62.7**	**0.989**	1.141	**1.641**
3.500	10	**3.435**	**-26.9**	-29.8	-13.2	**92.4**	**3.443**	3.516	**3.788**
5.000	**Portugal** 2	**1.833**	**86.9**	87.5	130.7	**138.7**	**1.818**	2.146	**2.401**
4.800	10	**4.199**	**49.5**	50.0	106.5	**183.3**	**4.241**	4.713	**4.697**
5.350	**Spain** 2	**1.212**	**24.8**	32.3	88.3	**95.0**	**1.266**	1.722	**1.964**
4.000	10	**3.861**	**15.7**	13.6	44.0	**117.5**	**3.877**	4.088	**4.039**
2.750	**Switzerland** 2	**0.490**	**-47.4**	-47.2	-32.1	**-54.9**	**0.471**	0.518	**0.465**
2.250	10	**1.936**	**-176.8**	-183.1	-171.9	**-69.4**	**1.910**	1.929	**2.170**
3.250	**U.K.** 2	**1.048**	**8.4**	11.9	37.3	**35.9**	**1.062**	1.212	**1.373**
3.750	10	**4.094**	**39.0**	40.4	30.5	**8.7**	**4.145**	3.953	**2.951**
0.875	**U.S.** 2	**0.964**	**...**	...	...	**...**	**0.943**	0.839	**1.014**
3.625	10	**3.704**	**...**	...	...	**...**	**3.741**	3.648	**2.864**

Source: Thomson Reuters

U.S. Treasury yield curve

The curve shows the yield to maturity of current bills, notes and bonds; all data as of 3 p.m. ET.



Ryan Index	Yield to maturity	Modified duration	TOTAL RETURN Month to-date	Quarter to-date	Year to-date	12-month
30-year Treasury	**4.633%**	16.06	–1.46 %	0.88 %	0.88 %	–11.60 %
10-year Treasury	**3.710**	8.25	–0.83	1.81	1.81	–3.16
7 Year Treasury	**3.148**	6.23	–0.59	2.37	2.37	1.01
Five-year Treasury	**2.415**	4.66	–0.53	1.84	1.84	1.72
Ryan Index	**2.731**	6.68	–0.68	1.48	1.48	–1.08
3 Year Treasury	**1.514**	2.93	–0.36	1.19	1.19	3.04
Two-year Treasury	**0.963**	1.95	–0.28	0.70	0.70	2.18
1 Year Treasury	**0.407**	0.99	–0.06	0.18	0.18	1.26
Six-month Treasury	**0.233**	0.50	–0.01	0.04	0.04	0.56
Ryan Cash Index-a	**0.223**	0.45	–0.02	0.06	0.06	0.56
Three-month bill	**0.152**	0.25	...	0.01	0.01	0.30
One-month bill	**0.101**	0.07	...	0.01	0.01	0.11

a-Performance of a cash investment

Source: Ryan ALM

Key money rates

	Latest	52 wks ago
Prime rates		
U.S.	**3.25%**	3.25%
Canada	**2.25**	2.50
Japan	**1.475**	1.475
Britain	**0.50**	0.50
ECB	**1.00**	1.50
Switzerland	**0.52**	0.52
Australia	**4.00**	3.25
Hong Kong	**5.25**	n.a.
Libor		
One month	**0.23000%**	0.55563%
Three month	**0.25719**	1.31563
Six month	**0.39781**	1.90188
One year	**0.86838**	2.22688

	Latest	52 wks ago
Euro Libor		
One month	**0.37625%**	1.24000%
Three month	**0.59438**	1.64250
Six month	**0.90688**	1.79250
One year	**1.20125**	1.93125
Hibor		
One month	**0.07857**	0.33000%
Three month	**0.13000**	0.93286
Six month	**0.24000**	1.23071
One year	**0.54786**	1.68143
Asian dollars		
One month	**0.2370%**	0.56%
Three month	**0.2586**	1.3130
Six month	**0.3950**	1.8880
One year	**0.8660**	2.2060

	Offer	Bid
Eurodollars		
One month	**0.3500%**	0.2000%
Three month	**0.3700**	0.2300
Six month	**0.5500**	0.3500
One year	**0.9500**	0.6500

	Latest	52 wks ago
U.S. discount	**0.75%**	0.50%
Fed-funds target	**0.25**	0.25
Call money	**2.00**	2.00
Overnight repurchase rates		
U.S.	**0.20%**	0.13%
U.K. (BBA)	**0.518**	0.597
Euro zone	**0.29**	0.86

Sources: WSJ Market Data Group; Reuters

GLOBAL MARKETS LINEUP

Commodities

Prices of futures contracts with the most open interest

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **NYBOT:** New York Board of Trade; **MDEX:** Bursa Malaysia Derivatives Berhad; **LIFFE:** London International Financial Futures Exchange; **LME:** London Mercantile Exchange; **NYMEX:** New York Mercantile Exchange; **ICE:** IntercontinentalExchange

Commodity	Exchange	Last price	ONE-DAY CHANGE Net	ONE-DAY CHANGE Percentage	Contract high	Contract low
Corn (cents/bu.)	CBOT	364.25	-1.00	-0.27%	714.00	325.00
Soybeans (cents/bu.)	CBOT	925.50	-5.00	-0.54	1,087.50	819.75
Wheat (cents/bu.)	CBOT	485.25	6.50	1.36%	745.00	472.00
Live cattle (cents/lb.)	CME	92.800	0.850	0.92	93.000	83.075
Cocoa ($/ton)	ICE-US	2,920	66	2.31	3,514	2,066
Coffee (cents/lb.)	ICE-US	132.50	-1.25	-0.93	190.40	118.30
Sugar (cents/lb.)	ICE-US	19.67	0.40	2.08	29.00	11.90
Cotton (cents/lb.)	ICE-US	80.47	1.70	2.16	94.00	51.38
Crude palm oil (ringgit/ton)	MDEX	2,649.00	-11	-0.41	3,600	1,486
Cocoa (pounds/ton)	LIFFE	2,230	39	1.78	2,356	1,475
Robusta coffee ($/ton)	LIFFE	1,227	-10	-0.81	1,605	1,214
Copper (cents/lb.)	COMEX	338.00	0.30	0.09	355.00	140.00
Gold ($/troy oz.)	COMEX	1101.70	-6.50	-0.59	1,229.00	785.10
Silver (cents/troy oz.)	COMEX	1704.80	-11.20	-0.65	1,949.50	916.00
Aluminum ($/ton)	LME	2,245.00	19.00	0.85	2,356.50	1,344.50
Tin ($/ton)	LME	17,600.00	50.00	0.28	18,250.00	9,945.00
Copper ($/ton)	LME	7,498.00	88.50	1.19	7,695.00	3,690.00
Lead ($/ton)	LME	2,280.00	20.00	0.88	2,615.00	1,247.00
Zinc ($/ton)	LME	2,356.00	20.00	0.86	2,659.00	1,221.00
Nickel ($/ton)	LME	21,790	395	1.85	22,950	9,475
Crude oil ($/bbl.)	NYMEX	81.54	-0.89	-1.08	132.95	52.95
Heating oil ($/gal.)	NYMEX	2.1054	-0.0204	-0.96	3.4240	1.3933
RBOB gasoline ($/gal.)	NYMEX	2.2581	-0.0188	-0.83	3.1200	1.4650
Natural gas ($/mmBtu)	NYMEX	4.466	-0.040	-0.89	10.430	4.487
Brent crude ($/bbl.)	ICE-EU	79.96	-0.81	-1.00	109.11	57.30
Gas oil ($/ton)	ICE-EU	665.75	0.50	0.08	691.50	512.75

Source: Thomson Reuters; WSJ Market Data Group

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Currencies

London close on March 12

AMERICAS	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Argentina peso-a	5.3081	0.1884	3.8588	0.2592
Brazil real	2.4290	0.4117	1.7658	0.5663
Canada dollar	1.3984	0.7151	1.0166	0.9837
1-mo. forward	1.3985	0.7151	1.0166	0.9836
3-mos. forward	1.3985	0.7150	1.0167	0.9836
6-mos. forward	1.3992	0.7147	1.0171	0.9832
Chile peso	712.63	0.001403	518.05	0.001930
Colombia peso	2612.20	0.0003828	1898.95	0.0005266
Ecuador US dollar-f	1.3756	0.7270	1	1
Mexico peso-a	17.2703	0.0579	12.5548	0.0797
Peru sol	3.9019	0.2563	2.8365	0.3525
Uruguay peso-e	26.893	0.0372	19.550	0.0512
U.S. dollar	1.3756	0.7270	1	1
Venezuela bolivar	5.91	0.169270	4.29	0.232848
ASIA-PACIFIC				
Australia dollar	1.5011	0.6662	1.0912	0.9164
China yuan	9.3894	0.1065	6.8257	0.1465
Hong Kong dollar	10.6719	0.0937	7.7580	0.1289
India rupee	62.5004	0.0160	45.4350	0.0220
Indonesia rupiah	12590	0.0000794	9153	0.0001093
Japan yen	124.79	0.008014	90.72	0.011024
1-mo. forward	124.76	0.008015	90.70	0.011026
3-mos. forward	124.72	0.008018	90.67	0.011029
6-mos. forward	124.62	0.008024	90.59	0.011038
Malaysia ringgit-c	4.5512	0.2197	3.3085	0.3023
New Zealand dollar	1.9621	0.5097	1.4263	0.7011
Pakistan rupee	115.550	0.0087	84.000	0.0119
Philippines peso	62.810	0.0159	45.660	0.0219
Singapore dollar	1.9180	0.5214	1.3943	0.7172
South Korea won	1553.11	0.0006439	1129.04	0.0008857
Taiwan dollar	43.641	0.02291	31.725	0.03152
Thailand baht	44.824	0.02231	32.585	0.03069

EUROPE	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Euro zone euro	1	1	0.7270	1.3756
1-mo. forward	1.0000	1.0000	0.7270	1.3756
3-mos. forward	1.0001	0.9999	0.7270	1.3755
6-mos. forward	1.0003	0.9997	0.7272	1.3752
Czech Rep. koruna-b	25.508	0.0392	18.543	0.0539
Denmark krone	7.4413	0.1344	5.4095	0.1849
Hungary forint	265.74	0.003763	193.18	0.005177
Norway krone	8.0272	0.1246	5.8355	0.1714
Poland zloty	3.8897	0.2571	2.8277	0.3537
Russia ruble-d	40.293	0.02482	29.291	0.03414
Sweden krona	9.7099	0.1030	7.0587	0.1417
Switzerland franc	1.4585	0.6856	1.0603	0.9431
1-mo. forward	1.4582	0.6858	1.0601	0.9434
3-mos. forward	1.4575	0.6861	1.0595	0.9438
6-mos. forward	1.4562	0.6867	1.0586	0.9446
Turkey lira	2.1023	0.4757	1.5283	0.6543
U.K. pound	0.9063	1.1034	0.6588	1.5179
1-mo. forward	0.9065	1.1032	0.6590	1.5175
3-mos. forward	0.9068	1.1027	0.6592	1.5169
6-mos. forward	0.9073	1.1022	0.6596	1.5162
MIDDLE EAST/AFRICA				
Bahrain dinar	0.5186	1.9283	0.3770	2.6526
Egypt pound-a	7.5287	0.1328	5.4730	0.1827
Israel shekel	5.1159	0.1955	3.7190	0.2689
Jordan dinar	0.9746	1.0260	0.7085	1.4114
Kuwait dinar	0.3964	2.5224	0.2882	3.4698
Lebanon pound	2064.78	0.0004843	1501.00	0.0006662
Saudi Arabia riyal	5.1587	0.1938	3.7502	0.2667
South Africa rand	10.1784	0.0982	7.3993	0.1351
United Arab dirham	5.0526	0.1979	3.6730	0.2723
SDR -f	0.8948	1.1175	0.6505	1.5373

a-floating rate b-commercial rate c-government rate c-commercial rate d-Russian Central Bank rate f-Special Drawing Rights from the International Monetary Fund ; based on exchange rates for U.S., British and Japanese currencies.
Note: Based on trading among banks in amounts of $1 million and more, as quoted by Thomson Reuters.

Major stock market indexes

Stock indexes from around the world, grouped by region. Shown in local-currency terms.

Price-to-earnings ratio*	Region/Country	Index	PREVIOUS SESSION Close	PREVIOUS SESSION Net change	PREVIOUS SESSION Percentage change	PERFORMANCE Yr.-to-date	PERFORMANCE 52-wk.
28	**ASIA-PACIFIC**	DJ Asia-Pacific	125.96	0.38	0.30%	2.4%	62.6%
...	Australia	SPX/ASX 200	4818.12	3.92	0.08	-1.1	44.0
27	China	CBN 600	26807.17	-370.63	-1.36%	-7.7	48.0
18	Hong Kong	Hang Seng	21209.74	-18.46	-0.09	-3.0	69.3
19	India	Sensex	17166.62	-1.34	-0.01	-1.7	96.0
...	Indonesia	Jakarta Composite	2666.511	-10.011	-0.37	5.2	100.9
...	Japan	Nikkei Stock Average	10751.26	86.31	0.81	1.9	42.0
...		Topix	936.38	6.00	0.64	3.2	29.3
...	Malaysia	Kuala Lumpur Composite	1311.20	-10.23	-0.77	3.0	55.5
...	New Zealand	NZSX-50	3225.136	1.690	0.05	-0.2	27.8
8	Pakistan	KSE 100	10025.99	146.29	1.48	6.8	74.4
14	Philippines	Manila Composite	3072.91	-52.65	-1.68	0.7	65.6
...	Singapore	Straits Times	2881.36	7.45	0.26	-0.6	82.7
11	South Korea	Kospi	1662.74	6.12	0.37	-1.2	47.7
20	Taiwan	Weighted	7748.33	-1.33	-0.02	-5.4	58.2
10	Thailand	SET	733.34	7.39	1.02	-0.2	72.6
...	**EUROPE**	Stoxx Europe 600	258.40	0.80	0.31	2.1	53.3
...		Stoxx Europe 50	2581.57	3.56	0.14	0.1	49.1
...	**Euro Zone**	Euro Stoxx	273.21	0.61	0.22%	-0.6%	49.7%
13		Euro Stoxx 50	2898.36	2.62	0.09	-2.3	47.2
...	Denmark	OMX Copenhagen	349.10	0.02	0.01	10.6	70.2
21	Finland	OMX Helsinki	7177.47	115.57	1.64	11.2	58.9
17	France	CAC-40	3927.40	-1.55	-0.04%	-0.2	45.2
15	Germany	DAX	5945.11	16.48	0.28	-0.2	50.4
14	Italy	FTSE MIB	22565.19	24.34	0.11	-2.9	63.5
...	Netherlands	AEX	339.57	0.55	0.16	1.3	60.4
...	Russia	RTSI	1534.68	30.64	2.04	7.6	135.2
10	Spain	IBEX 35	11077.0	31.6	0.29	-7.2	49.1
16	Switzerland	SMI	6836.60	-15.13	-0.22	4.4	44.6
...	Turkey	ISE National 100	52232.99	-143.56	-0.27	-1.1	121.2
14	U.K.	FTSE 100	5625.65	8.39	0.15	3.9	49.9
18	**AMERICAS**	DJ Americas	307.37	0.37	0.12	3.7	59.4
...	Brazil	Bovespa	69341.38	-543.23	-0.78	1.1	77.7
...	Argentina	Merval	2359.97	27.80	1.19	1.7	126.2
19	Mexico	IPC	32578.05	-24.89	-0.08	1.4	67.6

*P/E ratios use trailing 12-months, as-reported earnings
European and Americas index data are as of 5:00 p.m. ET.

Sources: Thomson Reuters; WSJ Market Data Group

Thomson Reuters is the primary data provider for several statistical tables in The Wall Street Journal, including foreign stock quotations, futures and futures options prices, and foreign exchange tables. Reuters real-time data feeds are used to calculate various Dow Jones Indexes.

Dow Jones Indexes

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	PERFORMANCE Year-to-date	PERFORMANCE 52-wk.	PERFORMANCE Three-yr., annualized
2.19%	19	**Global TSM**	2365.25	9.15	0.39%	2.0%	63.4%	-6.0%
1.92	19	**Global DOW**	1989.34	8.68	0.44	0.2	58.0	-3.0
2.43	15	**Global Titans 50**	171.43	0.27	0.16	-1.3	44.9	-8.5
2.18	25	**Asia/Pacific TSM**	1245.12	3.60	0.29	2.4	67.4	-4.7
2.42	15	**Asia/Pacific ex-Japan TSM**	3076.42	6.53	0.21	0.0	94.4	2.0
2.78	14	**Europe TSM**	2622.27	23.45	0.90	-2.1	65.0	-9.7
1.86	14	**Emerging Markets TSM**	4113.26	12.12	0.30	1.4	97.5	3.2
2.45	33	**Asian Titans 50**	137.55	0.46	0.33	2.4	61.4	-6.7
6.37	6	**BRIC 50**	590.85	1.36	0.23	-1.2	92.7	8.2
0.86	27	**CBN China 600** -c	26807.17	-370.63	-1.36	-7.7	48.0	8.9
2.35	18	**China Offshore 50**	3966.21	-1.23	-0.03	-2.7	60.6	8.2
0.89	30	**Shanghai** -c	361.80	-4.80	-1.31	-6.7	48.8	9.0

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	PERFORMANCE Year-to-date	PERFORMANCE 52-wk.	PERFORMANCE Three-yr., annualized
0.56%	46	**Shenzhen** -c	395.18	-6.05	-1.51%	-5.1%	65.1%	14.7%
1.84	22	**U.S. TSM**	11856.53	0.26	0.00	4.1	55.7	-5.8
4.83	14	**Global Select Div** -d	199.12	1.46	0.74	-1.4	95.4	-9.3
5.34	14	**Asia/Pacific Select Div** -d	270.08	-0.05	-0.02	0.6	112.4	-9.5
3.70	14	**Hong Kong Select Div** -d	191.89	-0.37	-0.19	2.4	65.3	1.9
4.23	15	**U.S. Select Dividend** -d	326.51	0.20	0.06	3.4	56.5	-13.1
1.80	15	**Islamic Market**	2002.79	5.96	0.30	1.4	54.4	-1.3
2.00	15	**Islamic Market 100**	2116.89	2.06	0.10	-0.2	41.4	-1.9
2.60	17	**Islamic China/HK Titans 30**	1513.45	-2.38	-0.16	1.8	62.1	3.7
1.55	12	**Sustainability Korea**	1221.30	8.33	0.69	1.3	97.4	1.0
3.40	17	**Brookfield Infrastructure**	2053.08	11.85	0.58	1.3	56.0	-3.3
		DJ-UBS Commodity -p	132.44	-0.24	-0.18	-4.8	25.0	-7.5

*Fundamentals are based on data in U.S. dollar. Footnotes: c-in local currency. d-dividends reinvested. p-previous day. Note: All data as of 11:30 a.m. ET.

Source: Dow Jones Indexes

Cross rates

U.S.-dollar and euro foreign-exchange rates in global trading

	US$	A$	£	C$	YUAN	EURO	HK$	RUPEE	RUPIAH	YEN	NZ$	WON	RINGGIT	PH. PESO	S$	S FRANC	TW$	BAHT
U.S.		1.091	0.659	1.017	6.826	0.727	7.758	45.435	9152.48	90.715	1.426	1129.04	3.308	45.660	1.394	1.060	31.725	32.585
Australia	0.916		0.604	0.932	6.255	0.666	7.109	41.637	8387.33	83.131	1.307	1034.65	3.032	41.843	1.278	0.972	29.073	29.861
Britain	1.518	1.656		1.543	10.360	1.103	11.775	68.963	13892.09	137.692	2.165	1713.71	5.022	69.305	2.116	1.609	48.154	49.459
Canada	0.984	1.073	0.648		6.714	0.715	7.631	44.693	9003.03	89.234	1.403	1110.60	3.254	44.914	1.372	1.043	31.207	32.053
China	0.1465	0.160	0.097	0.149		0.107	1.137	6.657	1340.90	13.290	0.209	165.41	0.485	6.689	0.204	0.155	4.648	4.774
Euro	1.376	1.501	0.906	1.398	9.389		10.672	62.500	12590.15	124.788	1.962	1553.10	4.551	62.810	1.918	1.459	43.641	44.824
Hong Kong	0.129	0.141	0.085	0.131	0.880	0.094		5.857	1179.75	11.693	0.184	145.53	0.426	5.886	0.180	0.137	4.089	4.200
India	0.0220	0.0240	0.0145	0.0224	0.1502	0.0160	0.1707		201.44	1.9966	0.0314	24.85	0.0728	1.0050	0.0307	0.0233	0.6983	0.7172
Indonesia	0.0001	0.0001	0.0001	0.0001	0.0007	0.0001	0.0008	0.0050		0.0099	0.0002	0.12	0.0004	0.0050	0.0002	0.0001	0.0035	0.0036
Japan	0.011	0.012	0.007	0.011	0.075	0.008	0.086	0.501	100.89		0.016	12.45	0.036	0.503	0.015	0.012	0.350	0.359
New Zealand	0.701	0.765	0.462	0.713	4.785	0.510	5.439	31.854	6416.80	63.600		791.57	2.320	32.012	0.978	0.743	22.242	22.845
South Korea	0.0009	0.0010	0.0006	0.0009	0.0060	0.0006	0.0069	0.0402	8.11	0.0803	0.0013		0.0029	0.0404	0.0012	0.0009	0.0281	0.0289
Malaysia	0.302	0.330	0.199	0.307	2.063	0.220	2.345	13.733	2766.35	27.419	0.431	341.25		13.801	0.421	0.320	9.589	9.849
Philippines	0.022	0.024	0.014	0.022	0.149	0.016	0.170	0.995	200.45	1.987	0.031	24.73	0.072		0.031	0.023	0.695	0.714
Singapore	0.717	0.783	0.473	0.729	4.895	0.521	5.564	32.586	6564.21	65.061	1.023	809.75	2.373	32.748		0.760	22.753	23.370
Switzerland	0.943	1.029	0.621	0.959	6.437	0.686	7.317	42.851	8631.97	85.556	1.345	1064.83	3.120	43.063	1.315		29.921	30.732
Taiwan	0.032	0.034	0.021	0.032	0.215	0.023	0.245	1.432	288.49	2.859	0.045	35.59	0.104	1.439	0.044	0.033		1.027
Thailand	0.031	0.033	0.020	0.031	0.209	0.022	0.238	1.394	280.88	2.784	0.044	34.65	0.102	1.401	0.043	0.033	0.974	

Source: Thomson Reuters via WSJ Market Data Group

MSCI indexes

Developed and emerging-market regional and country indexes from MSCI Barra as of March. 12, 2010

Dividend yield	Price-to-earnings ratio	Morgan Stanley Index	Last	LOCAL-CURRENCY PERFORMANCE Daily	YTD	52-wk.
2.40%	23	**ALL COUNTRY (AC) WORLD***	302.62	-0.13%	1.1%	61.7%
2.50	24	**World (Developed Markets)**	1,182.69	-0.20	1.2	57.5
1.80	83	**World Small Cap**	201.08	-0.30	5.7	81.4
2.50	21	**Kokusai (World ex-Japan)**	1,168.67	-0.11	0.8	60.5
3.00	23	**EAFE**	1,563.33	-0.07	-1.1	56.7
2.20	20	**Emerging Markets (EM)**	989.83	0.36	0.0	98.2
2.50	23	**AC ASIA PACIFIC EX-JAPAN**	415.32	0.29	-0.3	93.9
2.20	22	**AC Far East ex-Japan**	444.93	0.17	-1.1	85.0
1.70	145	**Japan**	582.13	0.86	2.4	24.7
2.00	19	**China**	63.52	-0.01	-2.0	75.3
0.90	37	**China A (China Domestic)**	3,134.27	-0.22	-7.3	53.7
2.60	23	**Hong Kong**	10,290.49	0.29	1.1	64.1
0.90	20	**India**	701.66	0.27	-0.8	106.4
1.30	16	**Korea**	468.28	-0.48	-2.6	60.6
2.30	20	**Malaysia**	482.96	-0.37	2.8	45.8
3.10	17	**Singapore**	1,589.92	0.40	-2.2	77.4
2.70	234	**Taiwan**	278.68	-0.40	-5.8	61.5
3.30	18	**Thailand**	299.15	0.97	-0.8	70.0
3.60	25	**Australia**	996.76	-0.14	-0.4	44.4
5.00	16	**New Zealand**	84.41	-0.02	-3.2	15.5
1.90	28	**US BROAD MARKET**	1,286.81	-0.38	4.0	60.2
3.40	16	**EUROPE**	89.45	-0.25	1.3	48.0

*Twenty-three developed and 26 emerging markets

Source: MSCI Barra

MARKETS LINEUP

Moving the markets

At right, Japan's benchmark stock index and the biggest movers among the larger Asian stocks indexes and stocks Friday. Below each index are its most actively traded stocks. The charts show the percentage change in each index's or stock's value, rather than the point change, for purposes of comparison. The index level or stock price is indicated on each axis. All indexes and stocks are shown in local currency terms.

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Asian index movers...

Nikkei Stock Average

Japan 10751.26

▲ **0.81% or 86.31**

A 3.7% gain made it Asia's best-performing market for the week. Exporters were a big driver. The index has risen for five consecutive weeks and 12 of the past 15.

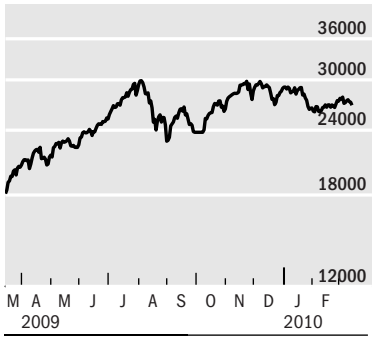
Stock	Volume in millions	Close	Change Net	Change %
Mizuho Financial	**142.13**	189	2	1.07
Hitachi	**72.59**	326	6	1.88
Mtshbsh Fin Grp	**68.38**	467	6	1.30
NEC	**49.30**	262	2	0.77
Toshiba	**41.56**	440	unch	...

CBN 600

China 26807.17

▼ **1.36% or 370.63**

Friday's decline left the index down 1.2% for the week. It has fallen for two consecutive weeks and five of the past seven, leaving it down 7.7% for the year.



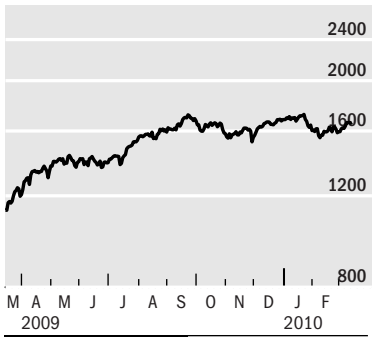
Stock	Volume in millions	Close	Change Net	Change %
JiangsuSunshine	**93.96**	7.06	–0.04	–0.56
China State Con	**92.73**	4.24	–0.06	–1.40
CiticSecurities	**89.08**	27.71	–0.13	–0.47
FujianExpresswyDev	**86.86**	7.80	–0.29	–3.58
Hebei Steel	**79.15**	5.62	0.02	0.36

Kospi

South Korea 1662.74

▲ **0.37% or 6.12**

A 1.7% weekly gain was its fifth straight. Car makers fell sharply Friday on the strengthening of the won against the dollar, limiting further gains.



Stock	Volume in millions	Close	Change Net	Change %
Samyang Optics	**45.52**	2,125.00	–10.00	–0.47
Taechang	**33.45**	310.00	–15.00	–4.62
Hbe Energy	**25.33**	145.00	–10.00	–6.45
Woongjin Chem	**14.30**	1,140.00	–20.00	–1.72
Daeho Al	**11.89**	1,830.00	195.00	11.93

Straits-Times

Singapore 2881.36

▲ **0.26% or 7.45**

Cosco fell 2.4% after the exchange said it will replace the shipping company in the STI with CapitaMalls Asia, which rose 1.3%. Volume was thin amid waning optimism.

Stock	Volume in millions	Close	Change Net	Change %
Genting Spore	**65.73**	0.93	0.01	0.54
Golden Agri	**57.11**	0.57	–0.02	–2.59
Cosco	**28.03**	1.23	–0.03	–2.38
Sing Telecom	**13.59**	3.14	–0.03	–0.95
Noble Grp	**11.83**	3.33	–0.08	–2.35

Asian stocks in the news

Kobe Steel

Japan ¥183

▲ **2.8% or ¥5**

Goldman Sachs remains bullish on Asian steel makers and maintained its "buy" rating on the stock.

Price-to-earnings ratio	**None**
Earnings per share, past four quarters	**-7.10**
Dividend yield	**0.8**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Basic Resources	**0.4%**	1.7%	102.5%
Kobe Steel	**2.8%**	4.6%	61.9%

Fukuoka Finl Gp

Japan ¥348

▲ **3.0% or ¥10**

Bank of America Merrill Lynch raised its rating on the company's stock to "buy."

Price-to-earnings ratio	**11**
Earnings per share, past four quarters	**32.60**
Dividend yield	**2.3**

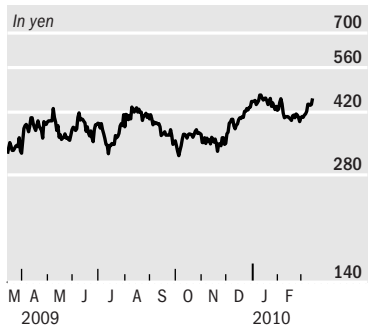
	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Banks	**0.3%**	1.7%	73.1%
Fukuoka Finl Gp	**3.0%**	4.8%	22.1%

Fuji Hvy Inds

Japan ¥459

▲ **4.1% or ¥18**

MUFJ issued its highest "1" rating for the maker of Subaru cars and a target price of $5.52.



Price-to-earnings ratio	**None**
Earnings per share, past four quarters	**-25.20**
Dividend yield	**None**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Automobiles & Parts	**0.1%**	2.6%	62.2%
Fuji Hvy Inds	**4.1%**	8.8%	43.0%

Nisshinbo Holdings Inc

Japan ¥966

▲ **4.1% or ¥38**

The company anticipates a quadrupling of operating profit in the fiscal year ending March 2011.

Price-to-earnings ratio	**179**
Earnings per share, past four quarters	**5.40**
Dividend yield	**1.6**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Personal & Hshld Gds	**-0.2%**	3.0%	55.5%
Nisshinbo Holdings Inc	**4.1%**	5.9%	23.4%

Nippon Sheet Glass

Japan ¥260

▲ **4.8% or ¥12**

Morgan Stanley sees near-term demand recovery for Japan's glass and ceramics sector.

Price-to-earnings ratio	**None**
Earnings per share, past four quarters	**-67.20**
Dividend yield	**2.3**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Constructn & Matl	**0.4%**	2.2%	79.6%
Nippon Sheet Glass	**4.8%**	7.9%	31.3%

Fuji Elec Hldgs

Japan ¥237

▼ **2.1% or ¥5**

The company forecast a 34% decline in fiscal 2010 net profit and a 10% drop in revenue.

Price-to-earnings ratio	**None**
Earnings per share, past four quarters	**-12.10**
Dividend yield	**None**

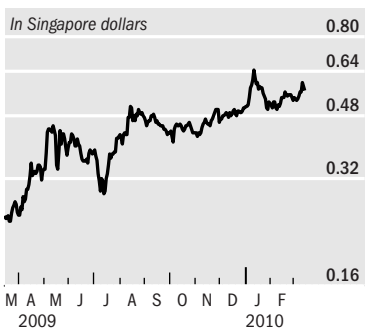
	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Indus Gds & Svcs	**0.1%**	3.2%	80.2%
Fuji Elec Hldgs	**-2.1%**	4.4%	185.5%

Golden Agri-Resources

Singapore S$0.57

▼ **2.6% or S$0.02**

Investors pocketed gains amid uncertainty over the outlook for crude palm oil prices.



Price-to-earnings ratio	**8**
Earnings per share, past four quarters	**0.07**
Dividend yield	**0.9**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Food & Beverage	**-0.4%**	1.6%	64.8%
Golden Agri-Resources	**-2.6%**	3.7%	124.5%

Link Real Est Invt Tr

Hong Kong HK$18.68

▼ **2.7% or HK$0.52**

The real estate investment trust's CEO will leave when his contract expires in November.

Price-to-earnings ratio	**10**
Earnings per share, past four quarters	**1.92**
Dividend yield	**4.9**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Real Estate	**...**	1.7%	79.2%
Link Real Est Invt Tr	**-2.7%**	-2.5%	24.5%

Agile Prop

Hong Kong HK$10.56

▼ **2.8% or HK$0.30**

Chinese property companies slipped amid lingering concerns over monetary tightening.

Price-to-earnings ratio	**20**
Earnings per share, past four quarters	**0.54**
Dividend yield	**1.1**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Real Estate	**...**	1.7%	79.2%
Agile Prop	**-2.8%**	-3.8%	210.6%

CITIC Pacific

Hong Kong HK$19.06

▼ **3.7% or HK$0.74**

Shares succumbed to profit-taking after a two-day, 12% rally following the posting of results.

Price-to-earnings ratio	**12**
Earnings per share, past four quarters	**1.63**
Dividend yield	**2.1**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Indus Gds & Svcs	**0.1%**	3.2%	80.2%
CITIC Pacific	**-3.7%**	9.2%	149.8%

HEARD ON THE STREET

Email: heard@wsj.com FINANCIAL ANALYSIS & COMMENTARY WSJ.com/Heard

Lenders tiptoe across the Taiwan Strait

For Taiwan and mainland China, closer economic ties will come only through cautious steps.

Taipei's decision to allow mainland banks to invest in Taiwan's banking sector is a significant milestone, in tune with other recent moves—such as allowing direct flights between Taiwan and the mainland—that tell a story of ever closer business links. Still, wariness remains, particularly on the island's side of the Strait.

Limiting Chinese banks to a 5% stake in an individual bank, and combined holdings in any Taiwanese bank of 10%, shows Taiwan's government prefers a softly-softly approach for now. There had been talk, previously, of Chinese banks taking stakes as large as 20%.

There is obvious concern in Taipei that, given any more leeway, China's banking behemoths would soon dominate the sector. Given the complex relationship between Taiwan and the mainland, that concern is as much political as economic.

Nervousness about Chinese involvement in Taiwanese financial services is already apparent. A plan by a consortium of investors to buy insurance company Nan Shan from **American International Group** has been held up by Taiwanese regulators in part on concerns that the consortium is backed by mainland Chinese money, which it has strenuously denied.

Certainly, the commercial appeal of acquiring a Taiwan bank stake is questionable. While average return on equity over the last five years at each of China's top four listed banks is comfortably in double digits, only one of Taiwan's major listed banks—First Financial—can boast the same. Taiwan is an over-banked island, so fierce competition keeps banking margins low.

For Taiwan's part, upside will come if its own banks receive reciprocal entitlement to expand their operations on the mainland, where plenty of Taiwanese companies already have a large presence. For that opportunity to prove significantly profitable, Taiwan's banks will need concessions from the Chinese side, such as being allowed to offer local-currency loans sooner than is usual for foreign banks operating in China.

Success for Taiwanese banks on the mainland isn't a given, anyway: It will be hard for them to gain market share even with compatriot companies, many of whom already have strong relationships with other banks.

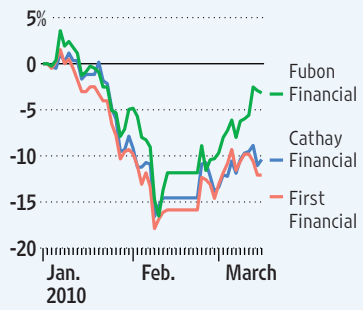
The direction in which Taiwan-China economic relations are heading seems clear. The Taipei government will no doubt want to carefully calibrate how quickly it gets there.

—Andrew Peaple

Buy on the rumor

Expectations have been mounting that Taipei would allow mainland China banks to invest in local banks.

Year-to-date share performance:



Sources: Thomson Reuters Datastream; Bloomberg News (photo)

◀ A Fubon Financial branch in Taipei.

China's loan slowdown leaves ample cash on tap

China's new bank lending is slowing. Slow, however, it isn't.

Certainly a pullback, in line with less expansive macroeconomic policy in China this year, is evident. Lending in February was half that in January, and some way below levels in February 2009.

Figures from here on will no doubt be taken as signs of further policy tightening. Policy makers expect total new lending in China to reach around $1.1 trillion this year. Since more than a quarter of that already has gone in the first two months of the year, lending won't be as high, on average, in the remaining 10.

But moderation in new banking levels shouldn't be confused with a meaningful tightening of policy.

Total lending so far in 2010, is at around $306 billion. That is still far ahead of levels seen in China at the start of any other recent year, bar 2009.

The full-year goal for 2010 is almost twice what was lent in 2008, when China's economy was most recently growing at around its current rate.

Certainly, not everyone is going to have access to these funds as readily as they did last year.

Regulators are supposed to be tightening lending standards in important areas, such as loans to local government-related investment entities. J.P. Morgan Chase, citing state media, says 40% of new lending last year went to such vehicles. Stricter standards on mortgages, particularly those used for speculative purposes, also are in place.

The lending goal for 2010 is almost double what was lent in 2008, the most recent year when the Chinese economy was expanding at its current pace.

Such restrictions are reasonable and will effectively make a larger pool of capital available to other parts of the economy: investment projects begun last year as part of China's stimulus efforts, exporters seeing a pickup in business and the small and midsize enterprises largely excluded from the lending boom last year.

There is one offsetting factor to consider: 2009 brought with it a rise in the practice by banks, of selling loans to trust companies, with the promise to repurchase them at a later date.

Should these repurchased loans be added back to banks' balance sheets, they will actually show up in the new loan figures. China's bank-lending figures are calculated simply by subtracting outstanding loans in the system at the end of one month from the balance at the end of the next one.

Still, this won't explain away all of the lending. Shanghai Benefit Investment Consulting, a research company, estimates $107.51 billion of bank loans were packaged into trust products in 2009.

In other words, there will be plenty of genuine new lending in China this year to ensure that policy remains loose by most objective standards, even if not all of this is as fresh as it first looks.

—Andrew Peaple

delta lloyd groep
EUR 1,088,800,000
Initial Public Offering
Joint Bookrunner
November 2009

USD 600,000,000
Qualified Institutional Placement
of Ordinary Shares
Book Running Lead Manager
November 2009

Ford
USD 2,875,000,000
Convertible Bond Offering
Joint Bookrunner
November 2009

HEIDELBERGCEMENT
EUR 4,427,000,000
Rights Issue and Secondary Sell-down
Co-Bookrunner
October 2009

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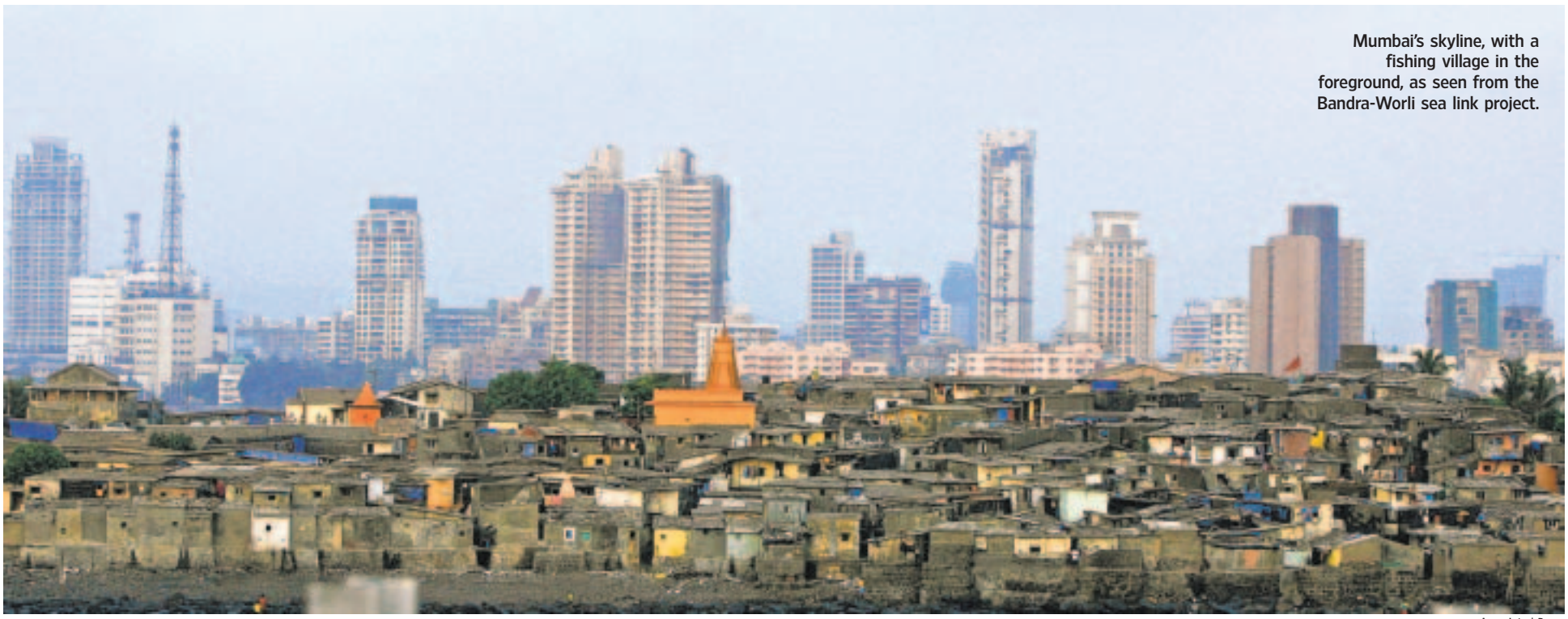

Mumbai's skyline, with a fishing village in the foreground, as seen from the Bandra-Worli sea link project.

Associated Press

A venture tonic for India's start-ups

Investors need to focus more on early-stage firms, and entrepreneurs need to educate them more on opportunities

[Mentor]

By Sanjay Anandaram

In India, it is easier for a start-up to raise $2 million than $200,000.

As the country's growth story attracts more global interest, the number of funds and the amount of capital available to private companies here is unprecedented.

But there are only a handful of professionally managed, genuine early-stage venture-capital funds—those targeting pre-revenue, unproven businesses—in India, with a combined $150 million or so under management.

Organized angel investing, where affluent individuals invest in start-ups, is a very recent phenomenon as well, with about 40 companies earning only about $8 million in investments over the past few years.

Yet early-stage venture-capital funds play a critical role in a country's development as they create jobs and new industries as well as generate great returns for the patient investor. Also, without an adequate number of active early-stage funds, later-stage funds would be starved of deal flow in subsequent years.

So why aren't there more early-stage funds?

Although the costs of running a start-up company are lower in a country like India than in the U.S., most Indian VC funds are well over $100 million, just as in the U.S. This effectively forces them to do deals of $2 million or more to ensure a manageable number of investments. A few smaller-ticket and early-stage deals are done almost as an afterthought.

Fund sizes are large because almost all the funds have international investors who are sitting on enormous pools of capital and therefore need to invest larger sums into just a few, large investments that can make an impact on returns. These overseas investors tend to ignore small, early-stage funds in India and seek out opportunities within their comfort zones—in, say, Silicon Valley.

Fund managers who need approval or guidance from their international partners for an Indian deal find it is easier to get approval for large, quick-to-exit investments, rather than for smaller investments.

While VC investing traditionally has been a "home run" business, venture firms today appear to be backing far safer investments. Two 1999-vintage early-stage nonproprietary VC funds focused on India—Infinity Venture and ChrysCapital—had one or two home runs as well as a number of flameouts, yet delivered positive returns to investors.

The easy-to-profit scenarios of the late 1990s created a generation of impatient investors. Today's VCs want to exit within five years, but building a company takes time. Many of the 100 largest publicly traded U.S. software companies took more than six years to generate revenue large enough to warrant an initial public offering; Microsoft and Oracle, which both went public in 1986, were founded in 1975 and 1977, respectively. Many successful Indian tech start-ups are no different. India Infoline, founded in 1994, went public in April 2005, and Info Edge (India) Ltd., which went public in 2006, was founded as Naukri.com in 1995.

What's needed are smaller funds of about $50 million and a fresh outlook from investors willing to take calculated risks on small businesses, good opportunities and strong teams, as well as the patience to wait for real value creation.

Regulatory changes to allow domestic pension and insurance funds to invest in early-stage businesses and appropriate tax breaks for investments in research and development would help. International partners can be encouraged to take more calculated risks only if domestic fund managers take the time to educate them on the opportunity. Ironically, what venture capitalists usually expect from entrepreneurs is what's required in return.

—Sanjay Anandarm is the co-founder of JumpStartUp, one of the earliest U..S-India border early-stage venture-capital funds, and a regular contributor to The Wall Street Journal's India Chief Mentor blog, which appears on india.wsj.com.

The Power List

The top business leaders in Asia making headlines last week in select global and regional media. Powered by Dow Jones Factiva and edited for relevance and clarity.

ERIC SCHMIDT

Chief Executive
Google

Mr. Schmidt said he expects the company will soon reach a conclusion to negotiations with the Chinese government.

AKIO TOYODA

President
Toyota Motor

Mr. Toyoda met with Japanese Prime Minister Yukio Hatoyama, who said he hoped the auto maker would be able to regain the trust of consumers.

LIU SHAOYONG

Chairman
China Eastern Airlines

Mr. Liu told reporters on the sidelines of last week's National People's Congress that the carrier is in talks with the world's three airline alliances about joining.

KUNIAKI NOZOE

Former President
Fujitsu

Mr. Nozoe said he "rescinded" his Sept. 25 resignation on the grounds that other Fujitsu executives demanded he step down, alleging that he had ties to organized crime. He has denied those allegations.

MUKESH AMBANI

Chairman
Reliance Industries

Forbes magazine named Mr. Ambani the world's fourth richest man and the richest man in Asia, with a net worth of $29 billion.

Photos: Bloomberg News (Schmidt, Ambani; Liu); Imaginechina/Zuma Press (Toyoda); Agence France-Presse/Getty Images (Nozoe)

Compiled by Carlos Tejada/ The Wall Street Journal

[DAVID THODEY]
CEO

‘If you don’t deliver numbers you aren’t doing your job’

Challenges loom large for Telstra chief executive

Bloomberg News

By Almar Latour and Lyndal McFarland

Telstra Corp. Chief Executive David Thodey appears calm and collected, but he is navigating an industry in the midst of upheaval. His legacy landline business is in decline. Wireless phone usage is growing. He has to fight off tough competition from aggressive rivals. And big regulatory sticks loom large in complex negotiations with the Australian government over whether Telstra, Australia’s largest telecommunications company, will participate in Canberra’s planned 43 billion Australian dollar (about US$37 billion) national broadband network, or be forced to compete with the new network.

The shape of the company and the industry could well change dramatically. The following interview with Mr. Thodey, who assumed the top job in May last year, has been edited.

MANAGING in Asia

WSJ: On one hand you’re managing a declining business—land lines—and on the other managing aggressive growth in wireless. How do you manage a declining business line?
Mr. Thodey: What you do is you make sure you don’t get enamored with your legacy business, because you know it’s going away. If you become too dependent on it, it prevents you doing other things and therefore you’re unable to respond to market changes. You’ve got to keep reinventing and starting new businesses and then giving them a life because they go get the returns.

WSJ: Government plays a big role in many industries these days, including yours. How do you manage relations with government and regulators?
Mr. Thodey: Obviously there are times when industry reform, led by government, may not be in your best interest as a company, so then you need to engage. My job is to shareholders, I exist to create wealth for shareholders, and that is not always in the best interest of government. But if you fundamentally believe that a strong private sector is good for a nation and good for a government, then there must be a point of meeting in the process.

...When I do disagree, I say it openly. I say it firstly to government and then I say it publicly. I think that is important in terms of respect of their role. I am not asking them to respect us every time, but I do respect their role they have to play, even when we disagree.

Résumé

- Career: Systems engineer at IBM to CEO of IBM’s Australian and New Zealand operations. Joined Telstra in 2001, became CEO of Telstra May 19, 2009.
- Schooling: B.A. in anthropology and English from Victoria University in New Zealand. Postgraduate general management program at Northwestern University, Evanston, Ill. Extracurricular: chairs Basketball Australia.
- On government: ‘You need good, open, transparent communication. You cannot put your head in the sand and hope it’s going to go away.’
- On staff: ‘People always think it’s about getting the A-team. It’s not, it is about inspiring people to become better.’

WSJ: How do you keep in touch with your customers?
Mr. Thodey: Usually on a weekly basis, I will pick a couple of customers that have rung in and I will just give them a call.

...It is amazing the reaction you actually get, especially [being] a company like Telstra that is large but is perceived as being uncaring and too bureaucratic. I cannot change that by a phone call, but I can lead with behavior that is right.

WSJ: There is a lot of data on customer behavior in your industry. Are you a metrics junkie?
Mr. Thodey: Just like the markets and returns to shareholders, it is only the numbers that matter. You can talk strategy, you can talk culture, but if you don’t deliver the numbers then you really are not doing your job....Mondays are usually a good day, Fridays tend to be a little bit slower. I look at calls into the call centers on a daily basis, I look at shop traffic. All these give you indicators of what’s going on but you’ve got to be careful to not to react too quickly.

WSJ: What are your biggest failures in your career?
Mr. Thodey: I’ve got so many of them. My career started as an engineer, then in sales, and I have lost more contracts probably than most along the way, but I have always got back up and done it. A major mistake I made was I tried to take subsidies out of the mobiles market back in 2002. We were trying to move it from a product subsidy to a repayment because we thought the consumer would want it. We lost a lot of share for two quarters.

WSJ: You’re a keen fan of basketball. What lessons do you take from the court to the boardroom?
Mr. Thodey: You need good teamwork, good attack, good defense. You need to have good ball skills and really know what you are doing.

You need to be able to rely on your teammates and you need to have a strong bench. Also, know your competitors. There are lots of analogies there.

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Online today: David Thodey explains his management style at asia.WSJ.com

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